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ANNUAL CONSOLIDATED REPORT ON THE ACTIVITY OF ENEMONA AD FOR 2011

Unofficial translation of the original in Bulgarian

I. DEVELOPMENT, POSITION AND PERSPECTIVES OF THE COMPANIES FROM ENEMONA GROUP OF COMPANIES

1. General information

Enemona Group of Companies (the Group) includes Enemona AD and its subsidiary and associate undertakings.

*Enemona AD is a publically traded joint stock company, with **seat and registered office**: at 1A, Panayot Hitov, Kozloduy, Vratsa District, Bulgaria, tel.: 0973/80159, fax: 0973/80701, e-mail: office@enemona.com, Internet site: www.enemona.com. The Company has currently two Bulgarian branches, Enemona AD – Sofia Branch (UIC 0024) and Enemona AD – Galabovo Branch (UIC 0016).*

In May 2010 the Group registered a Branch in the republic of Slovakia for carrying out a significant construction contract. In June 2011 the Group started carrying out construction and assembly activities in Germany by a place for business activities.

*The company has a one-tier system of government – **Board of Directors**, consisting of: DICHKO PROKOPIEV PROKOPIEV – Chairman of the of Board of Directors and Chief Executive Officer, TSVETAN KAMENOV PETRUSHKOV - Deputy Chairman of the Board of Directors and Executive Director, LYUDMIL IVANOV STOYANOV- Deputy Chairman of the Board of Directors and Executive Director, ILIAN BORISOV MARKOV – Member of the Board of Directors; PROKOPI DICHEV PROKOPIEV - Member of the Board of Directors; MARGARITA IVANOVA DINEVA – Independent Member of the Board of Directors; GEORGI ZAMFIROV GORANOV - Independent Member of the Board of Directors, and IVAN DIMITROV PETROV - Independent Member of the Board of Directors. The Company is represented by DICHKO PROKOPIEV PROKOPIEV, TSVETAN KAMENOV PETRUSHKOV, LYUDMIL IVANOV STOYANOV and the Procurator BOGDAN DICHEV PROKOPIEV – both together and independently.*

*The **registered capital** of the Company currently amounts to BGN 13,036,501 and is fully paid in. It is distributed into 13,036,501 dematerialized (book-entry form) shares, with a nominal value of BGN 1.00 each. The shares are divided in two classes: Class I – consisting of 11,933,600 ordinary voting shares and Class II – consisting of 1,102,901 non-voting preference shares.*

2. Enemona Group of Companies

Enemona is a “Economic group”, under the provisions of §1, p. 7 of the Additional Provisions of Ordinance №2 of September 17, 2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information by the public companies and the other issuers of securities. According to the above mentioned provision, the Economic group consists of a parent undertaking and its subsidiaries. Under the definition of Art.2, Para.1, i.“a” form Seventh Council Directive 83/349/EEC of the Treaty on consolidated accounts, “a subsidiary undertaking” is an undertaking, in which a parent undertaking has a majority of the shareholders' or members' voting rights. The unifying factor in the group (parent undertaking) is Enemona AD.

The companies which Enemona AD controls and manages as of December 31, 2011 and December 31, 2010, are listed in the following table:

ORGANIZATIONAL STRUCTURE OF ENEMONA GROUP OF COMPANIES

COMPANY	Percentage (%) as of 31.12.2011	Percentage (%) as of 31.12.2010
„CHPP NIKOPOL” EAD	100.00	100.00
„PPP MLADENOVO” EOOD	100.00	-
“ARTANES MINING GROUP” AD	99.99	-
“ENEMONA UTILITIES” AD	99.46	100.00
“ESCO ENGINEERING” AD	99.00	99.00
„Enemona-Galabovo” AD	91.13	91.13
“NEVROKOP-GAS” AD	90.00	90.00
“ENERGETICS AND ENERGY SAVINGS FUND - EESF” SPV	88.97	70.76
“PIRINPOWER” AD	84.00	84.00
„EMCO” AD	77.36	77.36
„REAL ESTATE INVESTMENT FUND- FINI” REIT	69.23	69.23
“HEMUSGAS” AD	50.00	50.00
„AGROINVESTENGINEERING” AD	0.00	99.98
„NEO AGRO TECH” AD	0.00	90.00
„SOLAR ENERGY” OOD	0.00	80.00

Enemona AD Indirect Shareholdings

Company	Indirect Shareholding through	Percentage (%) of indirect shareholding as of 31.12.2011
„RegionalGas” AD	„Enemona Utilities” AD	50.00
„PirinPower” AD	„Enemona Utilities” AD	16.00

Enemona’s shareholdings below 50%

Company	Percentage (%) as of 31.12.2011	Percentage (%) as of 31.12.2010
„ALFA - ENEMONA” OOD	40.00	40.00
“ENEMONA - START” AD	4.90	4.90
“ENIDA ENGINEERING” AD	4.90	4.90
„ENERGONI” AD	2.74	0.00

3. Changes in the structure of the economic group, which took place during the period under review

On March 31, 2011 Enemona AD signed with Sofia France Auto AD a contract for the sale of 10,497,999 ordinary shares representing 99.98% of the capital of the subsidiary Agro Invest Engineering AD. The purchase price amounted to BGN 18,421,758, whereas the deal also included a package of 49.96 percent stake in Lomsko Pivo AD.

On June 28, 2011 Enemona AD sold other two of its subsidiaries – Neo Agro Tech OOD (a contract for the sale of 90% of its capital) and Solar Energy OOD (a contract for the sale of 80% of its capital).

On February 14, 2011 the Board of Directors of Enemona AD decided to set up a new subsidiary - Artanes Mining Group AD with its registered address in Sofia, capital BGN 2,000,000 and the opportunity for Enemona AD to subscribe for 1,999,995 ordinary registered voting shares, with a nominal value of BGN 1 each, representing 99.99975% of the capital of the newly established company. The company was registered in the Trade Register on April 19, 2011.

On October 12, 2011 the Board of Directors of Enemona AD took the decision to establish a new subsidiary - PPP Mladenovo EOOD with a capital of BGN 30,000. The company was registered in the Trade Register on October 20, 2011.

In 2011, 12,250 ordinary registered shares of Enemona Utilities EAD were sold to an individual. After the transaction, Enemona AD holds 1,697,750 shares or 99.46% of all the shares. The company's legal status in Trade Register was changed from a sole owned joint-stock company, to a joint-stock company.

On May 31, 2011 a capital increase of Enemona's subsidiary - EESF SPV was registered. A total of 2,588,048 new shares with a nominal value of BGN 1.00 and an issue price of BGN 1.30 each were issued. The fully-paid share capital of EESF SPV amounts to BGN 3 891 thousand, divided into 3,891,422 ordinary shares with voting rights. Following the capital increase, the holding of Enemona AD in EESF SPV increased from 70.76% to 88.97%.

4. Brief history

The Company was incorporated in 1990 and registered in the Trade Register as a partnership company named „Prokopiev and Enemona” SD. By a decision dated 28 July 1994 the Vratsa District Court entered into the companies register at the Vratsa District Court under company file No 542/1990, volume 2, page 180, batch number 57, the transformation of the Company into a joint stock company named Enemona AD. The Company is set up for an unlimited period of time.

By a decision No 84 – PD dated 16 January 2008, the Financial Supervision Commission (FSC) registered Enemona AD as a public company in the register of public companies and other issuers of securities under Art. 30, Para. 1, i.3 Financial Supervision Commission Act (FSCA), kept thereby.

5. Strategy and investments

The Board of Directors of Enemona AD has undertaken activities to restructure the Group, to optimize the activity and to concentrate on the fundamental sectors for the economic group with the aim to ensure its sustainable development. The main trends in the development of the Group are directed mainly towards strategic sectors of the Bulgarian economy, namely: power engineering, industry and ecology.

In 2010 the Board of Directors of Enemona prepared and started the implementation of the new development strategy focusing on the following key areas: Focus on the core business – further development of its two core business lines: engineering, construction and assembly works, including energy efficiency and electricity trading; and disposal of non-core assets and businesses.

The Company's investment strategy will continue to be focused on the activities, in which the company has a good experience and competitive advantages. These are the engineering, construction and assembly works division (incl. energy efficiency) and trade in electricity.

The mid-term strategic goals of the Management of Enemona AD include:

- Achieving higher efficiency by means of optimization and concentration on the core business areas of Enemona Group;
- Further improvement of the Group's margins and profitability in the different fields of activities;
- Optimization of the operating expenses and achieving higher average margins from operating activities;
- Geographical expansion of the Group to EU while maintaining its leading position on the domestic market.

The new strategy of the Group assumes also the divestment of most of its non-core assets and businesses. In 2010 the Group sold its first natural gas wholesale business and in 2011 is planning to sell the remaining part of this business. The work in this direction covers two areas - one develops and tries to sell investment projects and activities, and the other focuses on and optimizes construction and assembly works.

The business line Engineering, construction and assembly works in the field of energy, industry, environment and energy efficiency renders the following engineering, construction and assembly services, comprising the complete project value-added chain: design and engineering – expert appraisals, design, consultations, analyses, technical-economic designs, project planning and management, supervision during project execution, preparation of hand-over documentation, control over resources and project implementation; construction and assembly works as well as steel structures manufacturing within the following areas: architecture and construction, water supply and sewerage, heating, ventilation and air conditioning, plant and technology, installation of fire alarm systems; electrical installations, instrumentation and control – electrical installation works, installation of measuring and control instruments and devices, lightning protection systems, earthing systems, etc.; start-up and set-up works, commissioning and testing during plant installation, control of instruments, special systems and equipment, etc.; maintenance, monitoring and warranty services.

Enemona also provides a full scope of customized solutions for energy saving measures and implements them in private and public buildings, industrial and power generation facilities with the aim to reduce energy losses in the power and heat supply infrastructure as well as to increase the efficiency ratio of the power generating equipment. In 2006 EESF SPV was founded by Enemona AD (as a majority shareholder) with the aim to finance the investments made under ESCO contracts.

The Business line Trade in electricity (electricity trading and natural gas trading) is conducted primarily by the subsidiary Enemona Utilities AD. Electricity trade in Bulgaria is carried by the regulated third party access, where transactions take place through direct bilateral contracts between producers/traders and consumers and balancing market (on which the missing quantities are bought and the remaining surpluses in bilateral contracts are sold). In the transitional period of gradual liberalization, the relationship between market players is still carried out on the regulated and free electricity market.

6. Annual Financial Statements

On March 31, 2011, Enemona AD publicly disclosed its Non-Consolidate Annual Financial Statement of a public company and issuer of securities as of 31-12-2010.

On May 2, 2011, Enemona AD publicly disclosed its Consolidate Annual Financial Statement of a public company and issuer of securities as of 31-12-2010.

7. Convening and holding of the General Meetings of Shareholders and holders of warrants

On 10-01-2011, at 11:00 a.m., at 3320, Kozloduy, House of Energy, Small Hall, an Extraordinary General Meeting of Enemona AD was held with an Agenda: 1. Authorization of the Board of Directors and Executive Directors of the Company for transactions under Article 114 of the Law on Public Offering of Securities (LPOS) to purchase property – agricultural land; draft resolution - GMS authorizes the Board of Directors and Executive Directors of the Company for transactions under Article 114 of the LPOS to purchase property - agricultural lands, 2. Authorization of the Board of Directors and Executive Directors of the Company for transactions under Article 114 of the LPOS for purchasing an office; draft resolution - GMS authorises the Board of Directors and Executive Directors of the Company for transactions under Article 114 of the LPOS for purchasing an office, 3. Miscellaneous. 4. Authorization of the Board of Directors and Executive Directors of the Company for a transaction under Article 114 of the LPOS for obtaining bank loans secured by a pledge of shares of Enemona AD owned by an interested person; draft resolution - GMS authorizes the Board of Directors and Executive Directors of the Company for a transaction under article 114 of the LPOS for obtaining bank loans secured by a pledge of shares of Enemona AD owned by an interested person. Enemona AD announced the Protocol of the General Meeting of Shareholders on 12-01-2011.

On 10-01-2011, the General Meeting of the holders of warrants was held. The Protocol was published on 11-01-2011.

On 08-04-2011 at 11:00 a.m., in Kozloduy-3320, House Energy an Extraordinary General Meeting of Enemona AD was held with an Agenda: 1. Authorization of the Board of Directors and Executive Directors of the Company for a transaction under Article 114 of the LPOS a transfer of an intangible fixed asset; draft resolution - GMS authorises the Board and Executive Directors of the Company for a transaction under Article 114 of the LPOS a transfer of an intangible fixed asset;, 2. Miscellaneous. Enemona AD announced the Protocol of the General Meeting of Shareholders on 12-04-2011.

On 30-06-2011 at 11:00 a.m. in the town of Kozloduy 3320, House of Energy, Small Hall an Annual General Meeting of Enemona AD was held with an agenda: 1. Individual Report of the Company for 2010, draft resolution - GMS approves the Individual Report of the Company for 2010. 2. Report of the Investor Relations Manager for 2010, draft Resolution - GMS approves the report of the Investor Relations Manager for 2010. 3. Approval of the Individual Annual Financial Statement for

2010 and the Auditor's report; draft resolution - GMS approves the individual annual financial statement for 2010 the Individual Annual Financial Statement for 2010 and the Auditor's report. 4. Approval of the Annual Consolidated Report to the Company for 2010, draft resolution - GMS approves the Annual Consolidated Report to the Company for 2010. 5. Approval of the Consolidated Financial Statement for 2010 and the Auditor's report; draft resolution - GMS approves the Consolidated Financial Statement for 2010 and the Auditor's report; 6. Distribution of the profit from operations for 2010, draft resolution - GMS accepts the proposal of the Board of Directors for distribution of the profits from operations for 2010. 7. Discharge of the Board of Directors for their activity in 2010; draft resolution - GMS discharges the members of the Board members for their activity in 2010. 8. Re-election of the Board of Directors - defining the mandate, the remuneration and securities for the Management; draft resolution - GMS accepts the proposal of the Board of Directors for re-election of its members - determines the mandate, the remuneration and securities of the management; 9. Amendment to Articles of Association; draft resolution - GMS accepts the proposed amendments to the Articles of Association 10. Authorization of the Board of Directors and Executive Directors of the Company to Annex for one year the period of transactions under Article 114 of the LPOS; draft resolution - GMS authorizes the Board of Directors and Executive Directors of the Company to Annex for one year the period of transactions under Article 114 of LPOS; 11. Authorization of the Board of Directors and Executive Directors of the Company for transactions under Article 114 of the LPOS with subject lending / credit transaction limit for a period of one year; draft resolution - GMS authorizes the Board of Directors and Executive Directors of the Company for transactions under Article 114 of the LPOS with subject lending/credit limit for transactions limit for a period of one year 12. Authorization of the Board of Directors and Executive Directors of the Company for transactions under Article 114 of the LPOS with a subject rental of assets; draft resolution - GMS authorizes the Board and Executive Directors of the Company for transactions under Article 114 of the LPOS with a subject rental of assets; 13. Authorization of the Board of Directors and Executive Directors of the Company for a transaction under Article 114 of the LPOS with a subject - sale of a truck; draft resolution - GSM authorizes the Board of Directors and Executive Directors of the Company for a transaction under Article 114 of the LPOS with a subject - sale of a truck 14. Report of the Audit Committee for 2010. Draft Decision - GMS approves the report of the Audit Committee for 2010; 15. Release of the Audit Committee of the Company; draft resolution - GSM adopted the proposal of the Board of Directors to release the Audit Committee, 16. Election of an Audit Committee of the Company and determining the size, mandate and remuneration of the members; draft resolution - GMS adopted the proposal of the Board for electing an Audit Committee of the Company and determining the size, mandate and remuneration of its members 17. Election of a registered auditor to perform an independent financial audit and certify the annual financial statements for 2011 - On the recommendation of the Audit Committee. Enemona AD announced the Protocol of the General Meeting of Shareholders on 01-07-2011.

On 02-12-2011 at 2:00 p.m. in Kozloduy-3320, Kozloduy, House of Energy, Small Hall, an Extraordinary General Meeting of Enemona AD was held with an agenda: 1. Amendment to the Articles of Association; draft resolution – GMS approves the proposed amendments to the Articles of Association 2. Changes in the composition of the Board of Directors; draft resolution - GMS accepts the proposal of the Board of Directors for changes in its composition. 3. Authorization of the Board of Directors and Executive Directors of the Company for annexation of the deal Under Article 114 of the LPOS - increasing the limit for credit transactions; draft resolution - GMS authorizes the Board of Directors and Executive Directors of the Company for annexation of a

transaction under Article 114 of the LPOS with a subject - increasing the limit for credit transactions; 4. Authorization of the Board of Directors and Executive Directors of the Company for transactions under Article 114 of the LPOS with a subject - sale of electricity for three years; draft resolution - GMS authorises the Board of Directors and Executive Directors of the Company for transactions under Article 114 of LPOS with a subject - sale of electricity for three years; 5. Miscellaneous. Enemona AD announced the Protocol of the General Meeting of Shareholders on 06-12-2011.

8. Dividend payments

At the Annual General Meeting of Shareholders of Enemona AD, held on June 30, 2011, a decision was taken for a distribution of a cash dividend for 2010 to the shareholders, holding preferred shares, for a total of BGN 881 340.44 or a gross dividend per share amounting to BGN 0.799111.

9. Changes in the board of directors

The changes in the composition of the Board of Directors of Enemona AD, adopted at the extraordinary GMS held on December 2, 2011 were entered and announced in the records of Enemona AD in the Trade Register on December 13, 2011. Bogomil Arsenov Spiridonov was excluded as a member of the Board of Directors of the Company.

10. Amendments to the Articles of Association

The amendments to the Articles of Association of Enemona AD approved by the GSM held on June 30, 2011, were entered and announced in the records of Enemona AD in the Trade Register on July 15, 2011

The amendments to the Articles of Association of Enemona AD approved by the GSM held on December 2, were entered and announced in the records of Enemona AD in the Trade Register on December 13, 2011.

II. PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

In its ordinary course of business, the Companies from the Group may be exposed to various financial risks, the most important of which are foreign exchange risk, credit risk and liquidity risk.

The risk management is currently carried out under the direct supervision of the Executive Director and the financial experts under the policy, established by the Board of Directors of Enemona AD, who developed the basic principles of general management of financial risk, based on which are developed specific (written) procedures for managing the individual specific risks, such as currency, price, interest rate, credit and liquidity, and the use of non-derivative instruments.

The following describes the different types of risks the Group faces in the course of its business operations and the approach for managing those risks.

1. Impact of the Global Economic Crisis

Currently, the macroeconomic environment in Bulgaria faces the negative impact of the global financial and economic crisis and its results continue to be strongly felt. The measures taken by the

EU and the Bulgarian Government destroyed to some extent, the negative phenomena in the economy.

2. Sector Risk

The construction sector suffered most severely and continuously by the negative impact of the global economic crisis, which resulted in the following trends:

- Shrinking of the construction market;
- Termination of contracts already signed;
- Freezing of construction works of already started contracts;
- Stronger competition in all market segments;
- Lowering prices to dumped levels.

Measures that the Group intends to undertake to reduce the impact of the global financial crisis, given the increase of global credit risk, liquidity stagnation and collapse of capital flows:

- strict compliance with the contracts concluded with financial institutions to exclude the possibility to early payment requests;
- limited investments in projects outside the main focus of the Group;
- cost optimization and investment programs review;
- speeding up the collection of receivables as well as their categorization for risk assessment and finding effective tolls for collection;
- insurance of the financial risks for significant receivables;
- establishment of relationships with affluent investors only (such as government institutions, municipalities, companies working on projects secured by government guarantees);
- if long-term receivables occur, searching for a form of their restructuring into long-term debt and securing them with appropriate assets;
- with regard to the implementation of certain energy projects and energy-efficient operations, searching for options for EU- and other financing programs.

3. Currency Risk

The Group carries out its activities primarily on the domestic market, whereas the contracts abroad are in Euro. Therefore, the Group is not exposed to significant currency risk because almost all of its operations and transactions are denominated in Bulgarian lev (BGN) and Euro (EUR).

The Group has introduced a system for planning of imported deliveries and future payments in order to control the currency risk.

4. Credit Risk

When carrying out its activities the Group is exposed to credit risk that is the risk associated with some of its Contractors which will not be able to comply fully and in time with their payments.

The Group's financial assets are concentrated in two groups: cash and receivables from customers.

The Group's cash and payment operations are carried out by the following banks - DSK, Eurobank EFG, UBB, Unicredit Bulbank, FIBank, etc., which have a high reputation and strong liquidity, that limits the risk on cash and cash equivalents.

The Group has no significant concentration of credit risk. Its policy is that payments are made within the terms specified in the contracts.

The collection and concentration of receivables is monitored currently, according to the established policy of the Group. For that purpose, a daily review is made by the financial and accounting department to monitor by clients and by received payments, followed by an analysis of the unpaid amount and the condition of the client.

To control the risk, the Group ensures immediate payment of collect receivables and the long-term ones are formed into individual agreements with debtors.

Measures that companies from the Enemona Group has introduced in order to control the collection of receivables:

- A detailed estimation for the expected revenues from receivables and uncollected receivables is made. A daily forecast for the next two months is made. A separate forecast is made on a monthly basis for the whole year. The implementation of the underlying assumptions are monitored by the Executive Director and the Financial Department of the Group;
- Every week, in some cases even more frequently, meetings are held by the Financial Committee to the Board of Directors, to discuss problems with uncollected receivables. A person responsible for each overdue receivable is determined, who is responsible for communicating with the company, sending notifications, if necessary bringing legal proceedings and making a plan to influence the payers. The meetings are attended by the Chief Executive Officer of Enemona AD;
- A model is developed that tracks receivables and cash flows. It is available to all offices and subsidiaries of the company and is constantly updated;
- When negotiating for a business deal with a new contractor, investigations are made for the financial reliability according to a procedure (assessment of the financial risk by Coface Group (a leading company in the field of financial management) and the Bulgarian Export Insurance Agency (BAEZ);
- Certain receivables are insured - "Financial Risk Insurance";
- The contracts with partners include provisions that ensure the collectability of receivables (indisputability, irrevocability, default interest, valid date, etc.)
- An age analysis of receivables is prepared and when unacceptable delay occurs, measures for their collecting are taken (reminders, calls for repayment notary and legal action).

5. Liquidity Risk

The liquidity risk is the adverse situation of the Companies from the Group not to be able to meet unconditionally all its obligations according to their maturity.

The Economic Group observes a conservative policy on liquidity management, maintaining constant optimal liquid cash and a good ability to finance its business. The Group uses bank and other loans as well.

Enemona Group manages liquidity of assets and liabilities by a detailed analysis of the structure and dynamics and forecasting of future cash flows.

III. INFORMATION ON IMPORTANT EVENTS THAT TOOK PLACE AFTER DECEMBER 31, 2011

On January 9, 2012 the Annual general meeting of the owners of the warrants, issued by Enemona, was held, on which a decision was taken that they should not be exercised, since the current market price of the underlying asset (ordinary shares) on the regulated market is below the exercise price of the warrants.

On March 1, 2012, the Federal state enterprise "Federal Energy Service Company" of the Ministry of Energy of the Russian Federation and Enemona AD signed a Memorandum of Understanding. The Memorandum aims to promote cooperation and realization of joint projects in the fields of energy efficiency and energy savings in the Russian Federation, Bulgaria and third countries of Russian and Bulgarian business entities, by attracting funding for projects, as well. The parties will share experience in the area of energy efficiency and energy savings, including technical solutions, organizational approaches and regulations. The Memorandum of Understanding also envisages sharing of experience in the implementation of ESCO contracts (contracts with guaranteed results) and personnel trainings.

On March 2, 2012, Enemona's subsidiary "EESF" SPV signed a Loan Agreement with the European Bank for Reconstruction and Development amounting to EUR 10 million for securitization of receivables arising from ESCO-contracts, with providing of a collateral by Enemona AD, resulting from commitments as guarantor. The term of the loan is seven years and the annual interest rate is fixed for the whole period of the loan to the amount of 6.5%.

IV. MAIN BUSINESS LINES IN THE GROUP

ENGINEERING, CONSTRUCTION AND ASSEMBLY WORKS, INCLUDING ENERGY EFFICIENCY

The business line Engineering, construction and assembly works in the field of energy, industry, environment and energy efficiency renders the following engineering, construction and assembly services, comprising the complete project value-added chain: design and engineering – expert appraisals, design, consultations, analyses, technical-economic designs, project planning and management, supervision during project execution, preparation of hand-over documentation, control over resources and project implementation; construction and assembly works as well as steel structures manufacturing within the following areas: architecture and construction, water supply and sewerage, heating, ventilation and air conditioning, plant and technology, installation of fire alarm systems; electrical installations, instrumentation and control – electrical installation works, installation of measuring and control instruments and devices, lightning protection systems, earthing systems, etc.; start-up and set-up works, commissioning and testing during plant installation, control of instruments, special systems and equipment, etc.; maintenance, monitoring and warranty services.

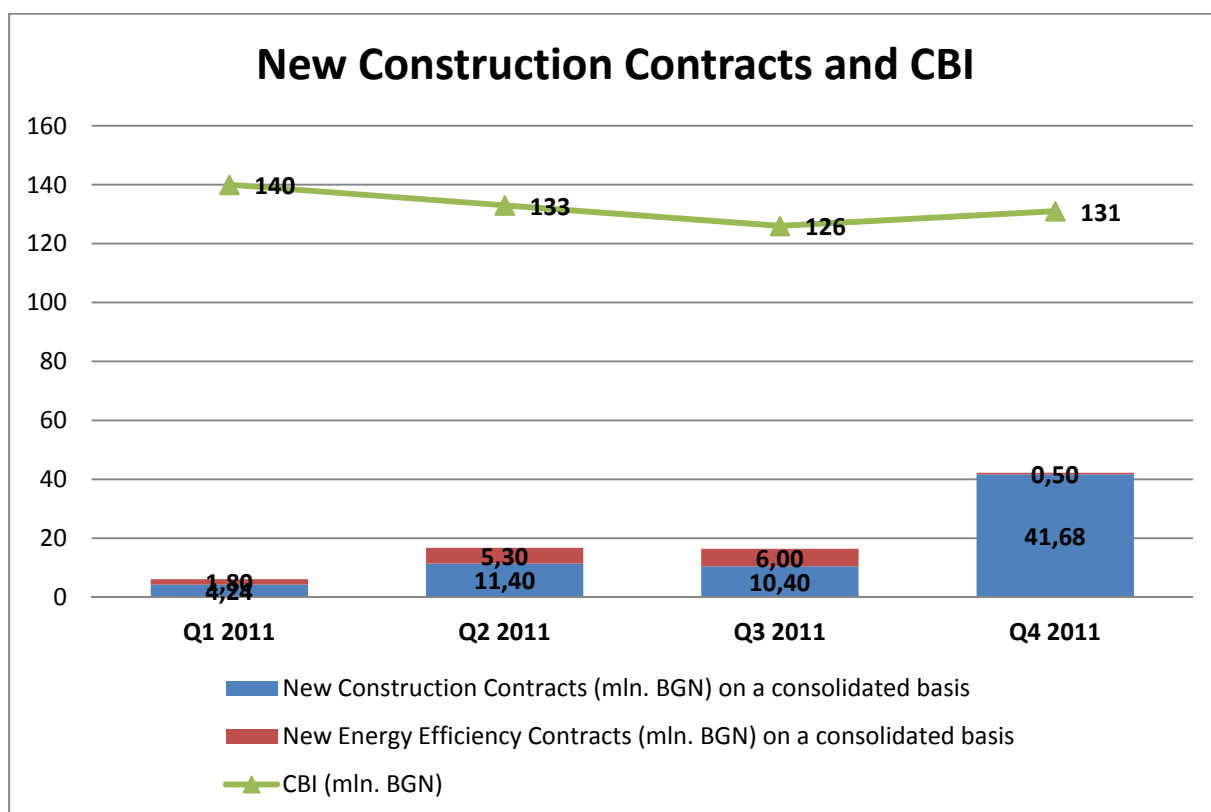
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Construction Backlog Indicator – CBI

Enemona AD is the first public construction company in Bulgaria to publish the indicator Construction Backlog Indicator – CBI on a consolidated basis.

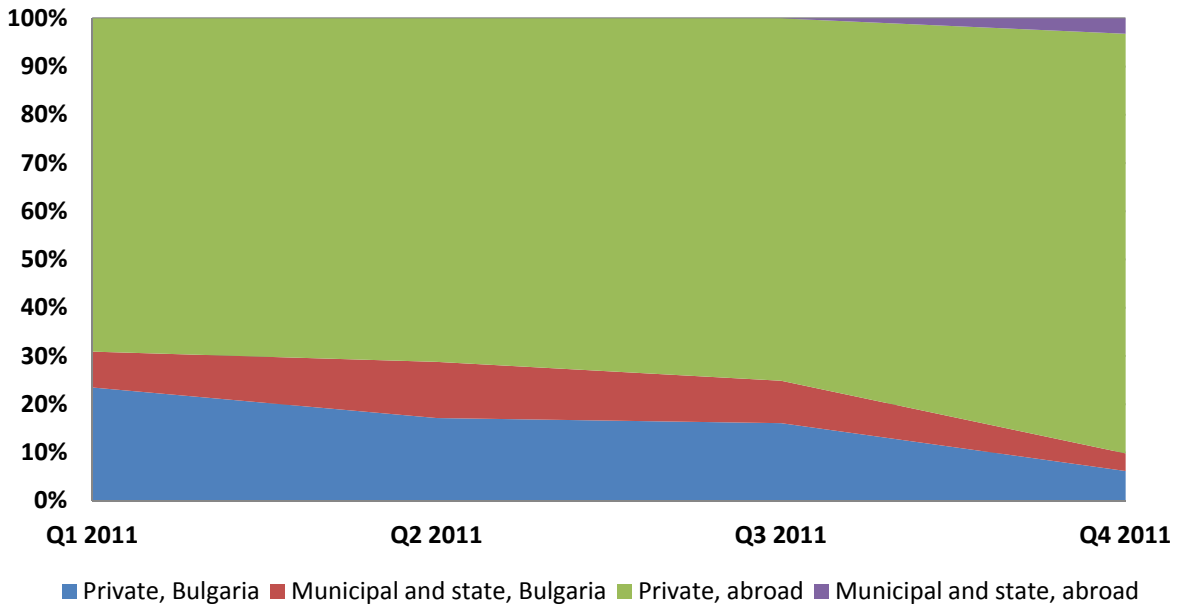
As of December 31, 2011, the Construction Backlog Indicator – CBI of Enemona on a consolidated basis totals BGN 131 million¹, a 3.97% increase as compared to the previous quarter of 2011.

The Construction Backlog of contracts already signed is estimated as a difference between the total value of all construction contracts signed as at a certain moment (both currently under execution, and for future execution) and the amount of the revenue already recognized under IAS 11. The indicator is sector orientated and shows the revenue from construction contracts, which the Group of Companies can expect in the future if no more contracts are signed.

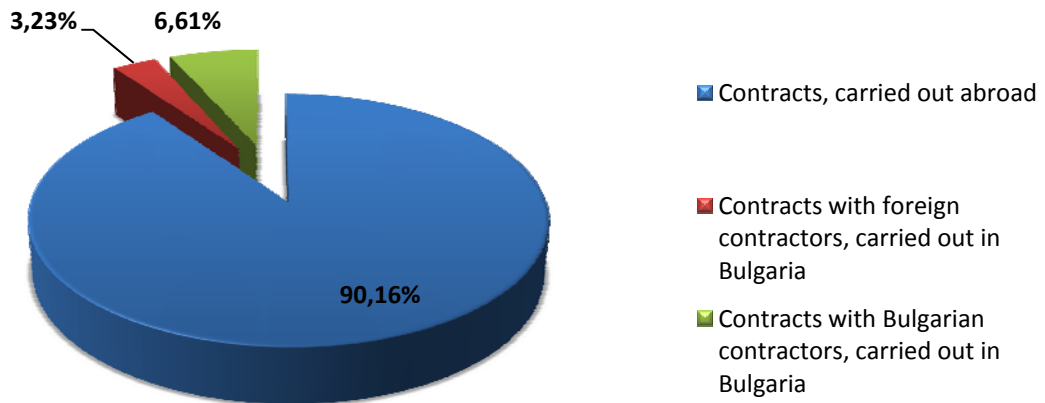


¹ The remaining values from contracts with contractors, which receivables have been impaired, are not included in the value of the Construction Backlog Indicator as of December 31, 2011.

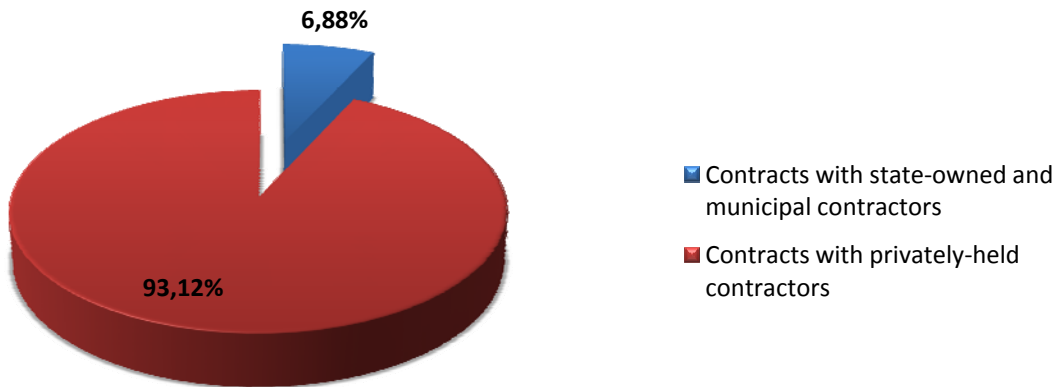
CBI by Type of Contractors



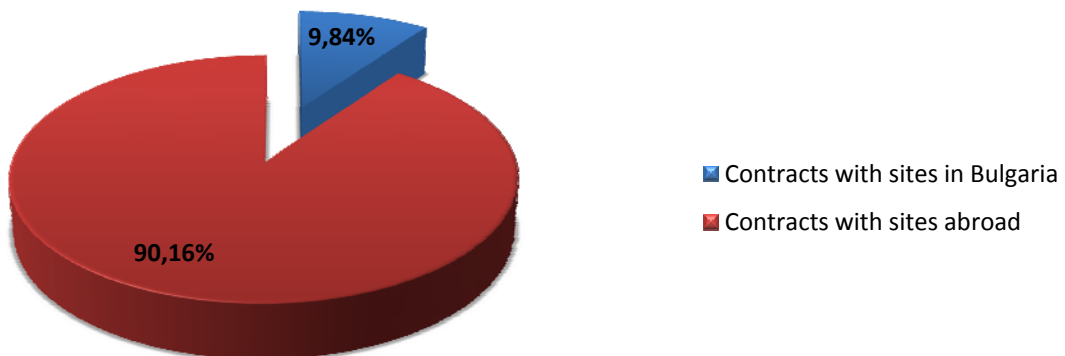
Construction Backlog Indicator as of 31.12.2011 by Type of Contractors



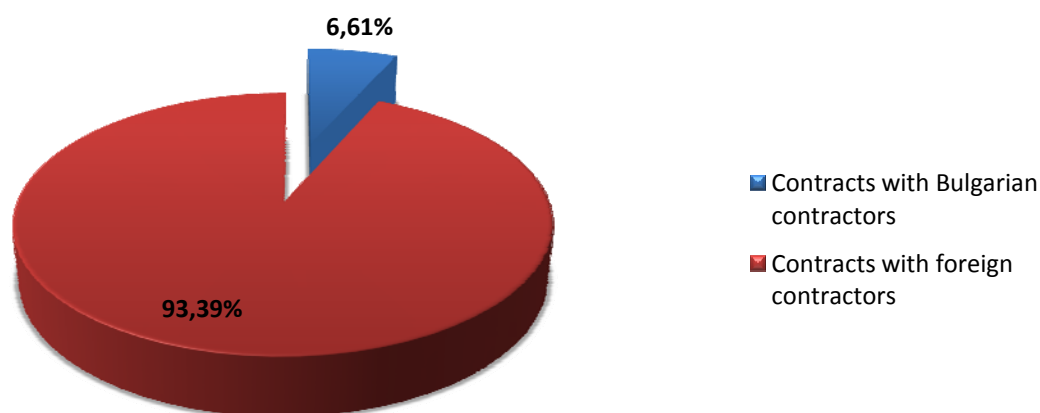
Construction Backlog Indicator as of 31.12.2011 by Type of Contractors



Construction Backlog Indicator as of 31.12.2011 by Type of Contractors



Construction Backlog Indicator as of 31.12.2011 by Type of Contractors



1. ENEMONA AD

Enemona AD is a joint-stock company with a scope of activity: design, investment, construction and assembly, commissioning works, repair, maintenance, engineering, marketing, tourist, public catering, hotel management, camping, agency, advertising, business activities /including import, export, purchase and sale of real property including agricultural lands, purchase and sale of receivables, exchange, compensation, leasing, rental, barter, consignment transactions/, production, purchase, marketing, maintenance of and trade with machines, equipment, materials, elements and spare parts and commodities. production, transmission, distribution and trade with heat and electrical energy, including energy from renewable sources, production and trade with energy carriers – after the obtaining the relevant permit/licence in the cases provided in the law; design and construction of energy facilities and energy saving facilities; energy efficiency services (including investigation, consulting, research, design, construction, installation, modernization, maintenance, operation and monitoring of machines, facilities and buildings), prospecting, investigation, development, production and use of deposits of mineral resources within the meaning of Art. 2 of the Mineral Resources Act, and of biological resources, mineral resources, energy resources and water, acquisition of concessions for hydromeliorative and water supply facilities and systems, port terminals, republican roads, objects of the railroad infrastructure. consultancy, translation, motor vehicle repair, transport, taxi, tourist, communication and household services. agricultural activities /including production, purchase, processing and marketing of agricultural products/ in this country and abroad; veterinary services and consultations; holding of shares and interest including acquisition of shares and interest in other companies, participation in joint ventures, acquisition of shares, interest and/or companies by merger and bundling and their sale; trade with shops and any other activities that are not forbidden by the laws of the Republic of Bulgaria.

ANALYSIS OF THE FINANCIAL RESULTS AND THE RESULTS FROM THE ACTIVITIES OF THE COMPANY

Assets

The non-current assets of Enemona AD at December 31, 2011 represent 38.79% of all assets of the Company, growing by 7.78% compared to December 31, 2010. The reason underlying this growth is the increase in long-term loans and receivables and deferred tax assets.

Total assets of the Company as of December 31, 2011 amount to BGN 206 766 thousand, growing by 14.02% compared to December 31, 2010. This is mainly due to the increase in financial assets at fair value through profit or loss.

Equity and liabilities

Enemona AD finances its principal activity with equity or borrowings. The Company's equity at December 31, 2011 amounts to BGN 95 483 thousand, or 46.18% of its assets – a growth by 15.46 % compared to the end of 2010. The share capital of the issuer amounts to BGN 13,037 thousand split into 11,934 thousand ordinary shares and 1,103 thousand preference shares.

Non-current liabilities at December 31, 2011 represent 9.11% of the Company's assets. They fall 1.26 times vs. the non-current liabilities at the end of 2010, mainly due to the decrease in the amount of bank and non-bank loans.

The main long-term external financing used by the issuer is in the form of bank loans.

Liquidity analysis

Ratio	Description	31 December 2011
General liquidity	CA/CL	1.37
Quick liquidity	(Cash+Cash equivalents+Receivables)/CL	1.33
Immediate liquidity	(Cash+Cash equivalents)/CL	0.05

Funds available to the Company in a given moment to meet its operating expenses, incl. all short-term assets that may quickly transform into the required funds and at market values, without significant transactions costs, are determined as sources of liquidity. The sources of liquidity for Enemona AD are mainly revenue from sales of products and external/debt financing in the form of bank loans.

Profitability analysis

Operating income

Enemona AD ended the reporting period with a net profit of BGN 12 787 thousand. Sales revenue of the Company marks a decline by 8.71% compared with 2010, or BGN 79 069 thousand. The decline is due primarily to decreased revenue from construction contracts.

The Company's expenses amount to BGN 85 432 thousand, or a 4.82% increase compared to the beginning of the year. The Company's expenses for 2011 comprise of: costs of materials BGN 31

218 thousand, costs of hired services BGN 30 069 thousand, salaries and wages BGN 18 817 thousand, depreciation/amortization BGN 1 794 thousand and other expenses BGN 3 534 thousand. The growth is primarily due to the increased costs of materials and consumables.

Profit (loss) analysis

Ratio	Description	31 December 2011
Gross profit ratio	Pre-tax profit/Sales revenue	12.77%
Return on sales	Net profit/Total revenue	16.17%

Total revenue includes sales revenue, finance income and other profits.

Profitability ratios reflect the ability of the Company to generate operating income and operating profit, respectively. For the year ending December 31, 2011 Enemona AD has reported revenue in the total amount of BGN 79 069 thousand and gross profits before taxes amounting to BGN 10 094 thousand and after taxes amounting to BGN 12 787 thousand. The above profitability ratios of the Company were calculated on the basis of these figures. The amounts of the profitability ratios of Enemona AD are an indicator of good profitability and exceed the standard for the industry.

Equity analysis

Ratio	Description	31 December 2011
Equity utilization	Total equity/Total assets	46.18%
Return on assets	Net profit/ Total assets	6.18%
Return on equity	Net profit/Equity	13.39%

Enemona AD demonstrates stable profitability ratios.

Financial leverage analysis

Ratio	Description	31 December 2011
Leverage	Debt/Assets	53.82%
Gearing	Long-term debt/Equity	19.74%

For the purpose of financial leverage analysis of Enemona AD, we calculate two ratios by dividing the issuer's debt by its assets and equity, respectively. The values calculated at December 31, 2011 show a decrease in the ratio of Debt/Assets. The Company covers 5.1 times its long-term liabilities with its equity. The accumulation of capital through the stock exchange significantly changes the equity structure of Enemona AD by increasing the opportunities for quick development and consolidation of its activity.

Effectiveness analysis

Ratio	Description	31 December 2011
Asset turnover	Sales revenue/Total assets	38.24%
Net working capital	Short-term assets – Short-term liabilities	BGN 34,121 thousand

The change in sales revenue affects the Company's effectiveness. At December 31, 2011 the asset turnover has dropped to 38.24% (47.77% at 31 December 2010). Net working capital marks an increase by 6.77% compared to December 31, 2010.

INFORMATION ABOUT THE REVENUES ALLOCATED BY SEPARATE CATEGORIES OF ACTIVITIES

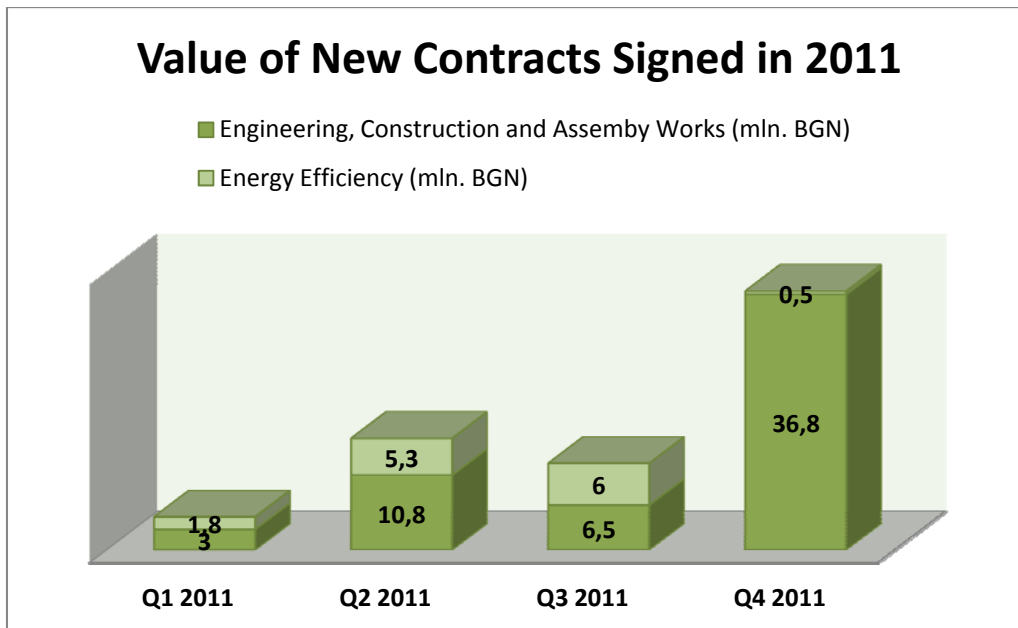
Revenues from main operations (in thousand BGN)	2011	2010
Revenue from construction contracts, including:	78 862	86 300
<i>Engineering, design, supplies, construction and assembly works</i>	68 868	78 370
<i>Energy efficiency</i>	9 994	7 930

INFORMATION ABOUT THE SOURCES FOR SUPPLY OF MATERIALS FOR 2011

Supplier	Type of supplies
THYSSENKRUPP FORDERTECHNIK GMBH	Materials
ENERGY MARKET AD	Electricity
STILPLAST 2002 OOD	Materials
FIPLCAB AD	Materials
STROM 21 OOD	Materials

INFORMATION ABOUT CONCLUDED BIG TRANSACTIONS AND SUCH OF MATERIAL IMPORTANCE FOR THE ACTIVITY

In 2011, Enemona AD signed new contracts in the field of Engineering, Construction and Assembly Works for a total of BGN 57.1 million (excl. VAT), and in the field of Energy efficiency for a total value amounting to BGN 13.6 million (excl. VAT).



BIG ORDERS, AMOUNTING TO OVER 10 PERCENT OF THE AVERAGE REVENUES OF THE COMPANY FOR THE LAST THREE YEARS

On October 11, 2011 Enemona AD received an officially signed contract by RWE Power AG, Germany, for assigning of design, engineering, and construction works with a subject: Extension of the transmission facility for coke gas to Hukingen power plant (Duisburg, Germany). The value of the contract exceeds 10 percent of the average revenues of the Company on an unconsolidated basis for the last three years. The deadline for completion of the works is September 30, 2013.

2. ENEMONA-GALABOVO AD

Enemona-Galabovo AD is with seat and registered office at: region of Stara Zagora, Municipality of Galabovo, town of Galabovo 6000, 120, Republika Street. The Company is entered into the Commercial Register on May 8, 2008. The scope of activity of Enemona-Galabovo AD includes: *design, investment, construction and fitting works, commissioning and adjustments, repairing, servicing, engineering, marketing, travel and tourism, food service and catering, hotel management, campsites, intermediation, advertising, trading (incl. import, export, exchange, compensation, leasing, barter, consignment deals), manufacturing, purchasing, marketing and servicing of machinery, appurtenances, materials, details and spare parts and consumer goods; electric power generation from renewable energy sources; designing and building of energy and energy saving appurtenances; energy efficiency services (incl. surveys, consulting, investigation, designing, structure designing, mounting, modernization, maintenance, control and monitoring of machinery, appurtenances and buildings), consulting, translation, auto service, transportation, taxi, travel and tourism, communication and communal services; agricultural activity /incl. manufacturing, purchasing, processing and marketing of agricultural products/ in Bulgaria and abroad; veterinary medical services and consultations; holding of equity shares; shop trading, as well as all other activities not forbidden by the laws of Republic of Bulgaria.*

Enemona-Galabovo was incorporated as a branch of Enemona AD in 2002, following the expansion of Enemona Group of Companies' operations in the area of conventional energy.

In May 2008, the branch was separated into a joint stock company. Enemona-Galabovo AD carries out marketing, engineering, design, management, construction and commissioning of energy, industrial and civil projects. The company also implements projects in the area of conventional energy, energy efficiency projects, etc. It has successfully implemented projects in the area of civil engineering.

ANALYSIS OF THE FINANCIAL RESULTS AND THE RESULTS FROM THE ACTIVITIES OF THE COMPANY

Assets

The non-current assets of Enemona-Galabovo AD at December 31, 2011 represent 40% of all assets of the Company, compared to 34% as of December 31, 2010. These are mainly machines and equipment, the building of the repair machine plant in Galabovo with the adjacent land, and vehicles.

Total assets of the Company as of December 31, 2011 amount to BGN 13 083 thousand, compared to BGN 18 031 as of December 31, 2010. This is mainly due to above mentioned non-current assets and materials, gross amounts due from customers and cash.

Equity and liabilities

Enemona-Galabovo AD finances its principal activity with equity or borrowings.

The Company's equity at December 31, 2011 amounts to BGN 2 815 thousand, compared to BGN 5 424 thousand the end of 2010, which is 22% from the assets. The share capital of the issuer amounts to BGN 2 250 thousand. The reserves are BGN 2 898 thousand, retained earnings – BGN 26 thousand and current loss of BGN 2 359 thousand.

Non-current liabilities at December 31, 2011 represent amount to BGN 580, which are finance lease payments with due date over 2 years – BGN 554 thousand and BGN 26 thousand long-term employee benefits.

The Current liabilities at December 31, 2011 amount to BGN 9 688 thousand, compared to BGN 11 624 thousand as of December 31, 2010. These are formed from trade and other payables and loans.

Liquidity analysis

Ratio	Description	31 December 2011	31 December 2010
General liquidity	CA/CL	0.81	1.02
Quick liquidity	(Cash+Cash equivalents+Receivables)/CL	0.77	0.99
Immediate liquidity	(Cash+Cash equivalents)/CL	0.008	0.002

Funds available to the Company in a given moment to meet its operating expenses, incl. all short-term assets that may quickly transform into the required funds and at market values, without

significant transactions costs, are determined as sources of liquidity. The sources of liquidity for Enemona-Galabovo AD are mainly cash and cash equivalents and trade and other receivables.

Profitability analysis

Operating income

Enemona-Galabovo AD ended the reporting period with a net loss of BGN 2 359 thousand, compared to BGN 250 thousand profit the previous year.

Sales revenue of the Company falls to BGN 15 163 thousand, compared to BGN 22 074 thousand in 2010. The sales revenue is primarily from construction contracts.

The Company's expenses amount to BGN 17 509 thousand, compared to BGN 21 918 thousand the previous year. The Company's expenses for 2011 comprise of: costs of materials, costs of hired services, salaries and wages.

Profit (loss) analysis

Ratio	Description	31 December 2011	31 December 2010
Gross profit ratio	Pre-tax profit/Sales revenue	-15.55%	0.79%
Return on sales	Net profit/Total revenue	-15.56%	1.13%

Profitability ratios reflect the ability of the Company to generate operating income and operating profit, respectively. For the year ending December 31, 2011 Enemona-Galabovo AD has reported revenue in the total amount of BGN 15 163 thousand and gross loss before taxes amounting to BGN 2 358 thousand and after taxes amounting to BGN 2 359 thousand. The above profitability ratios of the Company were calculated on the basis of these figures.

Equity analysis

Ratio	Description	31 December 2011	31 December 2010
Equity utilization	Total equity/Total assets	21.5%	30%
Return on assets	Net profit/ Total assets	-18%	1.4%
Return on equity	Net profit/Equity	83.8%	4.6%

Enemona-Galabovo AD reported a loss amounting to BGN 2 359 thousand for 2011.

Financial leverage analysis

Ratio	Description	31 December 2011	31 December 2010
Leverage	Debt/Assets	78%	70%
Gearing	Long-term debt/Equity	21%	18%

For the purpose of financial leverage analysis of Enemona-Galabovo AD, we calculate two ratios by dividing the issuer's debt by its assets and equity, respectively. The value calculated at December 31, 2011 of ratio of Debt/Assets is within the acceptable values and reflects the main activities of the Company. The Company gearing value reaches 21%

Effectiveness analysis

Ratio	Description	31 December 2011	31 December 2010
Asset turnover	Sales revenue/Total assets	116%	122%
Net working capital	Short-term assets – Short-term liabilities	- BGN 1 874 thousand	BGN 268 thousand

The change in sales revenue affects the Company's effectiveness. At December 31, 2011 the asset turnover is high – 116% (122% at December 31, 2010). Net working capital amounts to - BGN 1 874 thousand (BGN 268 thousand in 2010).

INFORMATION ON THE ACTIVITY

The new contracts signed by Enemona-Galabovo AD in 2011 total over BGN 5 million, excl. VAT. The main Contractors of the Company during the reporting period are: Enel Maritza Iztok 3 AD, TAKRAF, Contour Global Maritza Iztok 3 AD, A and S-3C Maritza Iztok 1 EOOD, ALSTOM BULGARIA EOOD and others.

INFORMATION ABOUT THE REVENUES ALLOCATED BY SEPARATE CATEGORIES OF ACTIVITIES

Revenues from main operations (in thousand BGN)	2011	2010
Revenue from construction contracts	15 119	21 963
Services	44	111
TOTAL:	15 163	22 074

A structure of approved suppliers of materials, supplies and services has been made, with which framework contracts are concluded. More than one supplier for basic materials and supplies are provided, so a very low level of dependency is awaited in this regard.

As of December 31, 2011 Enemona-Galabovo AD employs 269 people, including: Managers: 17; Analytical experts: 14; Technicians and other applied professionals: 16, Administrative staff: 7; Operators of machines and equipment, workers and assemblers: 208; Unqualified personnel: 7.

On the Extraordinary Shareholders Meeting, held on October 31, 2011, a decision was taken to change the two-tier managerial system with a Board of Directors, comprising of three members – Bogomil Spiridonov, Georgi Pantev and Svetla Zahaieva. Bogomil Spiridonov is chosen for Executive Director and Miroslav Vanovski – for Procurator.

3. EMCO AD

EMCO AD is established and entered into the Commercial Register in 1997. It is with seat and registered office at: region of PLeven, Municipality of Belene, town of Belene 5930, P.O.b. 63, Project: Nuclear Power Plant (NPP). The scope of activities of EMCO AD includes: *design, construction, mounting and repair works of energy industrial and communal projects and gas supply projects in Bulgaria and abroad, manufacturing of customized equipment, metal structures, reservoir basins, appurtenances, electrical equipment for Bulgaria and abroad, foreign and home trade, services.*

The Company is specialized in manufacturing of customized structures of carbon steel, alloy and stainless steels. EMCO AD is certified ISO 9001:2000.

ANALYSIS OF THE FINANCIAL RESULTS AND THE RESULTS FROM THE ACTIVITIES OF THE COMPANY

The Total Revenue of EMCO AD for 2011 amounts to BGN 5 181 thousand and the net profit for the period decreased to BGN 33 thousand. The main reasons for these results are the global financial and economic crisis, increased competition and lower profitability margins of the contracts.

Revenues from main operations

Revenues from main operations (in thousand BGN)	2011	2010
Products	5 022	9 567
Materials	111	102
Others	48	40
TOTAL:	5 181	9 709

Liquidity analysis

Ratio	31 December 2011	31 December 2010
General liquidity	1.782	1.991
Quick liquidity	1.673	1.869
Immediate liquidity	0.178	0.105

Profitability analysis

Ratio	31 December 2011	31 December 2010
Return on sales	0.64%	1.10%
Return on equity	0.82%	2.64%

INFORMATION ON THE ACTIVITY

The physical volume of production for 2011 is 1 709 tons. The main Contactors during the reporting period are: Asarel Mine in the town of Panagurishte, TransSystem Poland, Chelopech Mining EAD, Agropolychim AD and others.

Structural changes in the physical volume of production in 2011 were not made, because the production program of the Company in recent years includes mainly production of components for electrical precipitators, fundamental parts for gas and steam turbines, tanks for petroleum products and pressure vessels. In 2011, the structural volume of business was expanded with the following activities: prefabrication and installation of structures for belt conveyors and components and production of cable support structures.

As of December 31, 2011 EMCO AD employs 162 people, including: Managers: 14 people; Specialists: 11 people, Administrative staff: 2 people; Workers: 7 people.

TRADE IN ELECTRICITY

The Business line Trade in electricity (electricity trading and natural gas trading) is conducted primarily by the subsidiary Enemona Utilities AD. Electricity trade in Bulgaria is carried by the regulated third party access, where transactions take place through direct bilateral contracts between producers/traders and consumers and balancing market (on which the missing quantities are bought and the remaining surpluses in bilateral contracts are sold). In the transitional period of gradual liberalization, the relationship between market players is still carried out on the regulated and free electricity market.

The Business line includes the Companies: Enemona Utilities AD, along with Nevrokop-Gas AD, Hemusgas AD, Regionalgas AD and Pirin Power AD².

1. ENEMONA UTILITIES AD

Enemona Utilities is a joint-stock company with a scope of activity - *trade in electricity, generating, import and export of electric and heating energy, green certificates trading, energy management, investment designing and consulting in the energy field, trade (home and foreign) with all types of energy (after obtaining the required permit / license in the cases provided by the law), building and control on networks for natural gas in urban industrial areas, operation, maintenance, and repair of built-up water sources, water supply systems, appurtenances and pump stations, delivery, power and water supply, transmission and supply of potable water, joint distribution of the consumed quantities of cold potable water, building and control of the catalyst system, provision of*

² The leading company in the Business line is Enemona Utilities AD, which activities will be discussed in detail in the report. The activities of Nevrokop-gas AD, Hemusgas AD, Regionalgaz AD and Pirin Power AD are either at an early stage of development, or do not differ from the information revealed so far.

telecommunication services, designing and building of telecommunication systems and appurtenances in Bulgaria and abroad, collection, transportation, treatment, and processing of solid (domestic and industrial) waste, treatment (recycling) of waste water (domestic and industrial) and appropriate processing of muddy sediments, improvement of the contaminated areas, city services (street lighting, control of buildings, parkings, subways, etc.), landscape planting, maintenance of parks and gardens, building of parks, and any other activity not forbidden by the law.

Enemona Utilities is registered in the Trade Register in 2005. Its seat and registered office is at: Sofia, Geo Milev Living District, 20 Kosta Lulchev Str., fl. 1.

The Company's shareholders as of December 31, 2011 are Enemona AD and one natural person. The capital of Enemona Utilities AD is BGN 2.25 million, divided into 1,710,000 ordinary shares and 540,000 ordinary bearer shares with a nominal value of BGN 1.00 each.

Enemona Utilities AD has a two-tier management system.

ANALYSIS OF THE FINANCIAL RESULTS OF THE COMPANY

In 2011 Enemona Utilities AD focused on minimizing the negative impact of the ongoing financial and economic crisis in Bulgaria. As a result of the actions taken by Management in 2011, the sales of electricity and natural gas rose by 20% as compared to those of 2010.

The Company's revenues in 2011 are segmented, as follows:

Revenue	Value in thousand BGN
Revenue, including	90 718
Sales of Goods:	90 682
Electricity	87 781
Compressed gas	2 901
Sales of Services:	35
Other Revenues:	1
Income from Financing:	106
Financial Income:	339

ANALYSIS OF THE RESULTS FROM THE ACTIVITIES OF THE COMPANY

Ratios	31.12.2011	31.12.2010
1. Non-Currents Assets (thousand BGN)	7 594	7 938
2. Current Assets (thousand BGN)	25 930	11 046
3. Total Assets (thousand BGN)	33 524	18 984
4. Equity (thousand BGN)	7 073	5 276
5. Non-Current Liabilities (thousand BGN)	3 245	3 975
6. Current Liabilities (thousand BGN)	23 206	9 733
7. Revenue (thousand BGN)	91 163	76 529
8. Expenses (thousand BGN)	89 002	76 365
9. Net Profit (thousand BGN)	1 945	148
10. General Liquidity (CA/CL)	1.12	1.04
11. Return on Sales (Net Profit/Revenue)	0.02	0.01
12. Return on Assets (Net Profit/Total Assets)	0.06	0.01
13. Leverage (Liabilities/Total Assets)	0.79	0.72

Assets, Liabilities, Equity

In 2011, there is an increase in the current assets as compared to 2010. That fact is due to the increase in the gross amounts due from customers, other current receivables and cash of the Company as of December 31, 2011.

The equity of the Company as of December 31, 2011 amounts to BGN 7 073 thousand, representing 21.10% of the total assets.

The decrease in non-current liabilities is due to the repayment of an investment bank loan used by Enemona Utilities AD for the Project "Virtual Pipeline Simitli - Gotse Delchev". The current liabilities mark an increase, resulting from an increase in the Company's payables to suppliers.

Revenue, Expenses, Profit

Company's revenues increased in 2011 as compared to 2010, at about 20%. That is due to an increase in the electricity and natural gas traded. The expenses also show an increase of about 16%. The Financial result for 2011 is a profit of BGN 1 945 thousand.

COMPANY'S FUTURE DEVELOPMENT

The main objectives to the Company for 2012 are the increasing of the volume of traded quantities of electricity and natural gas, developing a strategy and taking action for the expansion of foreign trade contracts of sale with customers outside the Republic of Bulgaria.

The dynamics in relationships related to electricity and natural gas makes it possible to identify specific transactions that are expected to be concluded. The aim of Enemona Utilities AD is expanding the market, on which it operates, by attracting new customers both in Bulgaria and abroad.

In 2012, due to the securing of operations, for the sale of electricity and natural gas, there will be no need to make new investments. As for the staff development, upon a decision of the Management Board of the Company, some insignificant corrections to the official schedule may be made. The Company plans to implement new projects and invest in new activities.

ASSETS MANAGEMENT AND OTHER ACTIVITIES

Enemona is the founder and majority shareholder in two special investment purpose vehicles – Energetics and Energy Savings Fund - EESF SPV, and Real Estate Investments Fund - FINI REIT. Those two entities have been established in order to utilize different investment instruments, i.e. the opportunity of investing by means of securitization in the two legally defined directions by the Bulgarian Law on the Special Purpose Vehicles. The process of securitization includes investing the financial resources, raised by security issues, in real estate or receivables.

1. ENERGETICS AND ENERGY SAVINGS FUND – EESF SPV

Energetics and Energy Savings Fund - EESF SPV has its seat and registered office is at: Sofia, Geo Milev Living District, 20 Kosta Lulchev Str., fl. 3.

On May 17, 2006 by a Decision № 333 - SPV, the Financial Supervision Commission issued a license to the Energetics and Energy Savings Fund - EESF SPV.

The Company is a publicly traded company and discloses in accordance with legal requirements all the necessary information to the Financial Supervision Commission, BSE-Sofia AD and the public, along with publication on the Internet site of the Company - www.eesf.biz and the selected news media Investor.BG AD, a public company having a large number of web information portal - www.bull.investor.bg.

2. REAL ESTATE INVESTMENT FUND - FINI REIT

Real Estate Investment Fund – FINI REIT has its seat and registered office is at: Sofia, Geo Milev Living District, 20 Kosta Lulchev Str., fl. 3.

On August 16, 2007 by a Decision № 1138 - SPV, the Financial Supervision Commission issued a license to the Real Estate Investment Fund – FINI REIT.

The Company is a publicly traded company and discloses in accordance with legal requirements all the necessary information to the Financial Supervision Commission, BSE-Sofia AD and the public, along with publication on the Internet site of the Company - www.fini.bg and the selected news media Investor.BG AD, a public company having a large number of web information portal - www.bull.investor.bg.

3. ARTANES MINING GROUP AD

Artanes Mining Group AD was established on February 15, 2011 in the Republic of Bulgaria seat and registered office is at: Sofia, Geo Milev Living District, 20 Kosta Lulchev Str. and is registered in the Trade register on April 19, 2011.

The Company's scope of activities includes: *prospecting, exploration and mining of underground resources; exploration, development and implementation of methods for underground coal gasification in solid fuels deposits; financing, construction and operation of mines; production and trade in electricity and energy (after obtaining the required permit / concession rights / license for the respective activity required by law) and any other activity that is not prohibited by law.*

The Company is a publicly traded company and discloses in accordance with legal requirements all the necessary information to the Financial Supervision Commission, BSE-Sofia AD and the public, along with publication on the Internet site of the Company - www.artanesmining.bg and the selected news media Investor.BG AD, a public company having a large number of web information portal - www.bull.investor.bg.

4. CHPP NIKOPOL EAD

CHPP Nikopol EAD was established in 2008 with main scope of activities: *research, design, construction, installation, start-up and commissioning, repair services, engineering, production and sale of electricity and heat from various energy sources.* Its seat and registered office is at: Sofia, Geo Milev Living District, 20 Kosta Lulchev Str.

CHPP Nikopol was established as a project company for developing Enemona's activities in the field of renewable energy sources. According to the conceptual technical characteristics, the Central Heating Power Plant will have a total installed heating capacity of 50 MWth, electrical capacity of 16MWel, generating a net annual electricity of 128 MWh. The technology allows 80% of the fuel to be waste agricultural biomass (straw) and an option for the remaining 20% to be other biological waste.

V. RESEARCH AND DEVELOPMENT, PATENTS, LICENSES OF ENEMONA GROUP OF COMPANIES

Enemona AD creates and develops up to date scientific developments in the field of the national energy system. With the scope to find solutions for problems in the energy sector, the company forms teams from its own inventors, experts, and power engineers from outside organizations and scientists from the Technical Universities of Sofia and Varna.

For example, for the effective use of the shut down facilities in Kozloduy NPP, Enemona AD holds two patents related to the operation of power equipment in the second contour of Kozloduy NPP. The patents have with the following registration numbers BG 65250 B1 and BG 65267 B1 and have the following common name:

"A system for generation of reactive power in the power system"

The patented inventions were created by a team in 2002 while the patents were issued in 2008 by the Patent Office of Bulgaria. The created technical solutions allow the use of the generators of units 1 and 2 of Kozloduy NPP as synchronous compensators. The switching of these units in the country's power system improves the quality of electricity for end users, reduces losses in power transmission system, and achieves significant social, economic and political effects.

In the field of Energy Efficiency and Ecology with the aim to achieve beneficial effects on the ecological balance and to allow energy savings, Enemona AD created a number of technical solutions, united in a patent application № 110222/19.09.2008, having the following name:

"Methods and devices for receiving thermal energy towards steam turbine systems that produce electricity and heat"

The use of the proposed solutions to be patented enables the change of the thermal cycle in the currently operational thermal power plants and in Kozloduy NPP. This creates the possibility for the waste heat from the exhausted steam to be returned back into the thermal cycle and to reduce significantly its needs for cooling and condensation. Thus significant fuel savings are achieved which reduces the environmental pollution and the need for purification of flue gases. The heat pollution from so-called "hot canals" at the power stations can be reduced. The effect over the ecological balance is favorable as a significantly higher efficiency of steam turbine plants is achieved. The above mentioned benefits from the developed technical solutions contribute to the realization of significant economic effects in the power engineering.

Licenses in the Enemona Group of Companies

1. Enemona Utilities AD – License for trade in electricity for a 10 year period № L201-15/27.02.2006;
2. Enemona AD - License for trade in electricity for a 10 years period - № L275-15/08.09.2008;
3. Nevrokop-Gas AD - license for distribution of natural gas for 35 years period - № L289-08/22.12.2008; license for supply with natural gas on the territory of Gotse Delchev Municipality - № L289-12/22.12.2008;
4. EESF SPV – By a decision issued on May 17, Decision № 333 – SPV, the Financial Supervision Commission issued a License to the Energy and Energetic Savings Fund –EESF SPV;

5. FINI REIT - By Decision № 1138 of the Financial Supervision Commission (FSC) as of 16.08.2007 FINI has a license for carrying on its activity.

VI. INFORMATION UNDER APPENDIX №10 OF ORDINANCE No. 2 OF SEPTEMBER 17, 2003 ON THE PROSPECTUSES TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET AND ON DISCLOSURE OF INFORMATION BY THE PUBLIC COMPANIES AND THE OTHER ISSUERS OF SECURITIES

1. Analysis of the financial results and the results from the activities of the Group

1. Assets

The Non-Current Assets as of December 31, 2011 amount to 37.33% of the Total Assets, and as compared to December 31, 2010 decrease by 20.18%. The most significant decrease is in the value of Property, plant and equipment.

The Total Assets of the Group as of December 31, 2011 reach BGN 247 400 thousand, which is a 1.10% decrease as compared to December 31, 2010, mainly due to the decrease in Property, plant and equipment, Inventories and Current Loans and Advances.

2. Equity and Liabilities

Enemona AD finances its principal activity with equity or borrowings.

The specific characteristics of the fields of activity in which the companies from the Group operate, as well as the projects they are involved in, are characterized by high capital intensity and large time lag of return. The large-scale projects in the field of energy construction - the main business of the companies, require huge financial resources to be provided mainly by borrowing, especially in times of prolonged global economic crisis. Moreover, the financial return from the activities is expected to be postponed for a longer period of time as compared to other industries and sectors. As a whole, the financial ratios of the Group are above the average for the field of activities of the companies within the Group.

The Group's Equity at December 31, 2011 amounts to BGN 102 915 thousand, or 41.60% of its assets – close to value as of the end of 2010.

The Current liabilities at December 31, 2011 represent 12.34% of the Group's Assets, and the Current Assets – 46.06%

3. Liquidity analysis

Ratio	Description	31 December 2011
General liquidity	CA/CL	1.36
Quick liquidity	(Cash+Cash equivalents+Receivables)/CL	0.29
Immediate liquidity	(Cash+Cash equivalents)/CL	0.10

Funds available to the Group in a given moment to meet its operating expenses, incl. all short-term assets that may quickly transform into the required funds and at market values, without significant

transactions costs, are determined as sources of liquidity. The sources of liquidity for Enemona Group are mainly revenue from sales of products and external/debt financing in the form of bank loans.

4. Revenues

Enemona Group ended the reporting period with a loss of BGN 2 503 thousand loss before tax from continuing operations and a net loss for the year from continuing operations amounting to BGN 81 thousand.

The Revenue of the Group marks an increase of 0.81% compared to 2011, and amount to BGN 176 255 thousand.

The Group's expenses amount to BGN 183 077 thousand, and the greatest effect have the Cost of goods sold, which increase by BGN 14 708 thousand compared to the previous year and the Materials and consumables used, which increase by BGN 8 319 thousand.

5. Financial leverage analysis

Ratio	Description	31 December 2011
Leverage	Debt/Assets	58.40%
Gearing	Long-term debt/Equity	29.67%

For the purpose of financial leverage analysis of the Group, we calculate two ratios by dividing the issuer's debt by its assets and equity, respectively. The values calculated at December 31, 2011 are almost the same as the previous year. The Company covers over 3.3 times its long-term liabilities with its equity. The accumulation of capital through the stock exchange significantly changes the equity structure of Enemona Group by increasing the opportunities for quick development and consolidation of its activity.

6. Effectiveness analysis

Ratio	Description	31 December 2011
Asset turnover	Sales revenue/Total assets	71.24%
Net working capital	Short-term assets – Short-term liabilities	BGN 41 104 thousand

The change in sales revenue affects the Group's effectiveness. Net working capital marks an increase by BGN 14 090 thousand compared to December 31, 2010.

2. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services on a consolidated basis

	Year ended 31.12.2011	Year ended 31.12.2010
	<i>Thousand BGN</i>	<i>Thousand BGN</i>
Revenue from construction contracts	85 149	98 446
Revenue from sale of electricity	87 781	72 244
Revenue from sale of compressed natural gas	2 949	2 525
Revenue from services	372	1 624
Other revenue	4	
TOTAL REVENUE	176 255	174 839

3. Information about the revenues allocated by separate categories of activities on a consolidated basis

Segment revenue (in thousand BGN)

	Year ended 31.12.2011	Year ended 31.12.2010
Engineering, construction and assembly works	85 400	98 630
Electricity trading	87 794	73 581
Other segments	3 061	2 628
TOTAL	176 255	174 839

Geographical distribution (in thousand BGN)

	Year ended 31.12.2011	Year ended 31.12.2010
Bulgaria	143 239	123 674
Austria	-	16 515
Slovenia	-	13 396
Serbia	14 289	7 926
Slovakia	13 591	9 677
Germany	1 877	-
Other	3 259	3 651
TOTAL	176 255	174 839

4. Information about the sources for supply of materials on a consolidated basis

TOP 5 SUPPLIERS OF MATERIALS IN TERMS OF VALUE OF SUPPLIES

Supplier	Type of supplies
THYSSENKRUPP FORDERTECHNIK GMBH	Materials
ENERGY MARKET AD	Electricity
AMERON-NETHERLANDS	Materials
STILPLAST 2002 OOD	Materials
FIPLCAB AD	Materials

5. Information about the transactions concluded between with related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside the usual activity or substantially deviate from the market conditions, to which the issuer or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the groups' financial status

The information about the transactions concluded with related parties during the reporting period is disclosed in Note 31 of the Notes to the Consolidated Financial Statement for 2011.

6. Information about events and indicators of unusual for the group nature, having substantial influence over its operation and the realized by it revenues and expenses made; assessment of their influence over the results during the current year

During the period under review no events and indicators of unusual for the Group nature, having substantial influence over its operation.

7. Information about off-balance kept transactions – nature and business objective, indication of the financial impact of the transactions on the operation, if the risk and benefits of these transactions are substantial for the assessment of the groups' financial status

The Group prepares its Consolidated Financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Union (the "EU") and applicable in the Republic of Bulgaria. The information about contingent liabilities is disclosed in Note 34 of the Notes to the Consolidated Financial Statement for 2011.

8. Information about holdings of the issuer, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group and the sources/ways of financing

The companies which Enemona AD controls and manages as of December 31, 2011 and December 31, 2010, are listed in the following table:

ORGANIZATIONAL STRUCTURE OF ENEMONA GROUP OF COMPANIES

COMPANY	Percentage (%) as of 31.12.2011	Percentage (%) as of 31.12.2010
„CHPP NIKOPOL” EAD	100.00	100.00
„PPP MLADENOVO” EOOD	100.00	-
“ARTANES MINING GROUP” AD	99.99	-
“ENEMONA UTILITIES” AD	99.46	100.00
“ESCO ENGINEERING” AD	99.00	99.00
„Enemona-Galabovo” AD	91.13	91.13
“NEVROKOP-GAS” AD	90.00	90.00
“ENERGETICS AND ENERGY SAVINGS FUND - EESF” SPV	88.97	70.76
“PIRINPOWER” AD	84.00	84.00
„EMCO” AD	77.36	77.36
„REAL ESTATE INVESTMENT FUND- FINI” REIT	69.23	69.23
“HEMUSGAS” AD	50.00	50.00
„AGROINVESTENGINEERING” AD	0.00	99.98
„NEO AGRO TECH” AD	0.00	90.00
„SOLAR ENERGY” OOD	0.00	80.00

Enemona AD Indirect Shareholdings

Company	Indirect Shareholding through	Percentage (%) of indirect shareholding as of 31.12.2011
„RegionalGas” AD	„Enemona Utilities” AD	50.00
„PirinPower” AD	„Enemona Utilities” AD	16.00

Enemona’s shareholdings below 50%

Company	Percentage (%) as of 31.12.2011	Percentage (%) as of 31.12.2010
„ALFA - ENEMONA” OOD	40.00	40.00
“ENEMONA - START” AD	4.90	4.90
“ENIDA ENGINEERING” AD	4.90	4.90
„ENERGONI” AD	2.74	0.00

9. Information about the concluded by the issuer, by its subsidiary or parent undertaking, in their capacity of borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities

The information about the concluded by the Companies from the Group, in their capacity of borrower, loan contracts, is disclosed in Note 16 of the Notes to the Consolidated Financial Statement for 2011.

10. Information about the concluded by the issuer, by its subsidiary or the parent undertaking, in their capacity of lenders, loan contracts, including the provision of guarantees of any type, including to related persons, with indication of the concrete conditions there under, including the deadlines for repayment and the purpose for which they have been granted

The information about the concluded by the Companies from the Group, in their capacity of lender, loan contracts, is disclosed in Note 9 of the Notes to the Consolidated Financial Statement for 2011.

11. Information on the use of the proceeds from a new issue of securities carried out during the reported period

During the reported period no new issues of securities have been carried out.

12. Analysis of the ratio between the achieved financial results reflected in the financial statement for the fiscal year, and previously published forecasts for these results

In the prospectuses for public offering of the ordinary shares, preferred shares and warrants issued by Enemona AD and approved by the FSC, there are no financial forecasts.

The Company's forecasts, disclosed in the Prospectus for the secondary public offering of bond, issued in 2006, are prepared on an individual basis.

13. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the group has undertaken or is to undertake with a view to their removal

The true and fair presentation of the information in the financial statements of the Group is ensured by the systematic application of accounting policies based on current accounting, which is checked by an internal control system.

14. Assessment of the possibilities for realization of the investment intentions, indicating the amount of the available funds and stating the possible changes in the structure of the financing of this activity

As of December 31, 2011 the Group has cash and cash equivalents for a total BGN 11 738 thousand. That fact in combination with the increased capital base, determines a good opportunity to raise funds for the implementation of the Group's investment projects.

15. Information about occurred during the reporting period changes in the base principles for management of the issuer and its Economic Group

For the period under review, there have been no changes in the base principles for management of the Issuer and its Group.

16. Information on the amount of the remunerations, rewards and/or the benefits of everyone of the members of the management and control bodies for the fiscal year under review, paid by the issuer and its subsidiaries, irrespective of whether they have been included in the issuer's expenses or arise from profit distribution

Name	Gross Remuneration (BGN)	Net Remuneration (BGN)
Dichko Prokopiev Prokopiev		
Enemona AD	32 658.40	26 751.58
Enemona Utilities AD	126 633.54	113 970.19
CHHP Nikopol EAD	39 784.51	35 707.15
Enemona Galabovo AD	128 519.67	115 667.70
EMCO AD	14 345.00	12 911.00
Artanes Mining Group AD	2 251.43	2 026.29
Total	344 192.55	307 033.91
Tsvetan Kamenov Petrushkov		
Enemona AD	30 000.00	24 228.00
Enemona Utilities AD	140 000.00	126 000.00
EESF SPV	8 910.00	8 019.00
FINI REIT	5 940.00	5 346.00
CHHP Nikopol EAD	240.00	216.00
Enemona Galabovo AD	156 000.00	140 400.00
EMCO AD	25 128.00	22 615.20
Total	366 218.00	326 824.20
Lyudmil Ivanov Stoyanov		
Enemona AD	30 000.00	24 228.00
CHHP Nikopol EAD	44 000.00	39 600.00
EMCO AD	25 128.00	22 615.20
Total	99 128.00	86 443.20
Prokopi Dichev Prokopiev		
Enemona AD	8 510.00	6 629.75
Enemona Utilities AD	140 000.00	126 000.00
EESF SPV	8 910.00	6 280.70
CHHP Nikopol EAD	44 240.00	39 811.54
Artanes Mining Group AD	3 602.86	3 242.57

EESF SPV (dividend)	0.70	0.67
Total	205 263.56	181 965.23
Ilian Borisov Markov³		
Enemona AD	8 910.00	8 019.00
Enemona AD – Slovakia Branch	48 000.00	35 417.08
Enemona AD – Galabovo Branch	15 700.00	12 818.33
Enemona Galabovo AD	137 499.99	122 289.55
Total	210 109.99	178 543.96
Margarita Ivanova Dineva		
Enemona AD	8 910.02	6 989.77
Ivan Dimitrov Petrov		
Enemona AD	8 910.00	8 019.00
Georgi Zamfirov Goranov		
Enemona AD	8 910.00	7 355.46
Bogdan Dichev Prokopiev		
Enemona AD	21 176.10	16 358.28
Enemona Utilities AD	120 000.00	107 640.07
CHHP Nikopol EAD	11 240.00	10 116.00
EMCO AD	10 783.00	9 704.70
Artanes Mining Group AD	1 232.86	1 109.57
Enemona Galabovo AD	156 000.00	140 400.00
Total	320 431.96	285 328.62

17. Participation of the members of the Board of Directors and the Procurator as of 31 December 2011

Dichko Prokopiev Prokopiev	
Enemona AD, Kozloduy – Chairman of the of Board of Directors and Chief Executive Officer	
Global Capital OOD, Kozloduy – Manager and Partner	
Enemona Utilities AD, Sofia – Chairman of the Supervisory Board	
CHHP Nikopol EAD, Sofia – Chairman of the Supervisory Board	
Izolko OOD, Kozloduy - Partner	
Tsvetan Kamenov Petrushkov	
Enemona AD, Kozloduy – Vice Chairman of the of Board of Directors and Executive Director	
EMCO AD, Belene – Member of the Board of Directors	
Enemona Utilities AD, Sofia – Member of the Supervisory Board	

³ Enemona Galabovo AD has a liability for paying a dividend for 2010 to Ilian Borisov Markov for a total of BGN 16 684.18, which is not paid as of December 31, 2011.

EESF SPV, Sofia – Vice Chairman of the of Board of Directors and Executive Director
FINI REIT, Sofia – Chairman of the of Board of Directors
Resource Engineering EOOD, Sofia – Manager and Sole Partner
Izolko OOD, Kozloduy - Partner
Lyudmil Ivanov Stoyanov
Enemona AD, Kozloduy – Vice Chairman of the of Board of Directors and Executive Director
EMCO AD, Belene – Member of the Board of Directors
CHHP Nikopol EAD, Sofia – Vice Chairman of the Supervisory Board
Izolko OOD, Kozloduy - Partner
Ilian Borisov Markov
Enemona AD, Kozloduy – Member of the of Board of Directors
Enemona AD – Galabovo Branch – Manager
Enemona AD – Slovakia Branch – Manager
Prokopi Dichev Prokopiev
Enemona AD, Kozloduy – Member of the of Board of Directors
Global Capital OOD, Kozloduy – Partner
Enemona Utilities AD, Sofia – Vice Chairman of the Supervisory Board
EESF SPV, Sofia - Chairman of the of Board of Directors
CHHP Nikopol EAD, Sofia – Member of the Supervisory Board
ESCO Engineering AD, Sofia – Chairman of the of Board of Directors
Nevrokop Gas AD, Gotse Delchev – Member of the of Board of Directors
Artanes Mining Group AD, Sofia – Chairman of the of Board of Directors and Executive Director
PPP Mladenovo EOOD, Sofia – Manager
Racio Consult OOD, Sofia – Partner
Margarita Ivanova Dineva
Enemona AD, Kozloduy – Member of the of Board of Directors
Ivan Dimitrov Petrov
Enemona AD, Kozloduy – Member of the of Board of Directors
NODIG OOD, Sofia – Manager and Partner
Solers Bulgaria OOD, Sofia - Partner
Georgi Zamfirov Goranov
Enemona AD, Kozloduy – Member of the of Board of Directors
G Oil Expert EOOD, Novi Iskar – Manager and Sole Partner
Bogdan Dichev Prokopiev
Enemona AD, Kozloduy - Procurator
Global Capital OOD, Kozloduy – Partner
Enemona Utilities AD, Sofia – Chairman of the Managing Board
CHHP Nikopol EAD, Sofia – Chairman of the Managing Board
ESCO Engineering AD, Sofia – Member of the Board of Directors

Nevrokop Gas AD, Gotse Delchev – Chairman of the of Board of Directors
PirinPower AD, Sofia – Vice Chairman of the of Board of Directors
HEMUSGAS AD, Sofia – Member of the Board of Directors
Izolko OOD, Kozloduy - Partner
EMCO AD, Belene – Member of the Board of Directors
Artanes Mining Group AD, Sofia – Chairman of the Board of Directors
Racio Consult OOD, Sofia – Partner

18. Information about the owned by the members of the management and the Procurators shares of the issuer

Shares in Enemona AD	Percentage of the capital as of 31 December 2011 at a capital of 13 036 501	Percentage of the ordinary shares as of 31 December 2011 at OS of 11 933 600	Percentage of the preferred shares as of 31 December 2011 at PS of 1 102 901	Percentage of warrants as of 31 December 2011 at an issue of 5 966 792
Dichko Prokopiev Prokopiev - Chairman of the Board of Directors	55.28	60.39	0.00	60.13
Tsvetan Kamenov Petrushkov – Vice Chairman of the Board of Directors	0.36	0.39	0.00	0.36
Lyudmil Ivanov Stoyanov – Vice Chairman of the Board of Directors	0.50	0.55	0.00	0.55
Ilian Borisov Markov - Member of the Board of Directors	0.21	0.23	0.00	0.17
Prokopi Dichev Prokopiev - Member of the Board of Directors	0.22	0.35	0.00	2.22
Margarita Ivanova Dineva - Member of the Board of Directors	0.00	0.00	0.00	0.00
Ivan Dimitrov Petrov - Member of the Board of Directors	0.00	0.00	0.00	0.00
Georgi Zamfirov Goranov - Member of the Board of Directors	0.00	0.00	0.00	0.00
Bogdan Dichev Prokopiev – Procurator	0.30	0.33	0.00	0.33

19. Information about the known to the group agreements (including also after the fiscal year closing) as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder

For the period under review there are no agreements, as a result of which changes may occur in the future in the owned percentage of shares by current shareholders.

20. Information about pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at amount at least 10 percent of its equity; if the total amount of the issuer's liabilities or receivables under all initiated proceedings exceeds 10 per cent of its equity, information shall be submitted for each procedure separately

Enemona AD had no pending legal administrative or arbitration proceedings, relating to issuer's liabilities or receivables at amount at least 10 percent of its equity.

21. Information about the price of the financial instruments, issued by the Enemona AD



22. Data about the Investor Relations Director, including telephone and address for correspondence

The Board of Directors of Enemona AD, on a meeting, held on November 21, 2011, took a decision to release Svetlana Krumova Aleksandrova from the position of Investor Relations Director of Enemona AD and terminates its contract as of November 22, 2011. On the same position is appointed Teodora Petrova Plamenova.

Contact Data of the Investor Relations Director:
1113 Sofia
Geo Milev District

20, Kosta Lulchev Str.
tel: +359 2 80 54 864
fax: +359 80 54 837
Mobile: +359 888 535 186
E-mail: teodora.petrova@enemona.com

VII. INFORMATION IN RELATION TO THE BULGARIAN CODE FOR CORPORATE GOVERNANCE

On a meeting, held on 17 April 2008, the Board of Directors of Enemona AD decided to join and observe the National Code of Corporate Governance, approved and adopted by Minutes No 36 dated 17 October 2007 of BD of BSE – Sofia AD. This decision was announced to the Financial Supervision Commission, Bulgarian Stock Exchange and the public.

Pursuant to the instructions of the Financial Supervision Commission dated 21 February 2008, the application of the National Code of Corporate Governance substituted the requirement to prepare and implement their own corporate governance program. As a consequence of the decision that Enemona AD shall operate in accordance with the principles and provisions of the National Code of Corporate Governance, as well as due to the fact that the company's shares have been traded on the regulated market since the end of January 2008, the Company did not prepare and approve a separate corporate governance program.

Pursuant to the Rules and Regulations of BSE-Sofia AD, the compliance and implementation of the main principles sets in the Code of Corporate Governance issued or approved by the Stock Exchange is mandatory for the companies that are either traded or would like to be admitted to trading on the "Official Market of Equities, segments "A" and "B". The adoption and implementation of the Code for the companies that are traded on the other markets and market segments of BSE-Sofia AD is recommendatory and a matter of choice.

Enemona AD observes the principal provisions of the National Code of Corporate Governance.

The main direction in fulfilling the commitments of the Code was bringing all in-house acts of the Company and its overall activity in accordance with the constantly changing effective regulations. All financial statements of the Company are prepared in accordance with International Accounting Standard (IAS) and the annual audit is carried out by an independent auditor to ensure the unbiased and objective assessment of the method of preparation and presentation of these financial statements. These financial statements are accompanied by detailed management reports.

Enemona AD is a publicly traded company with a one-tier management system. All members of the Board of Directors comply with the legal requirements for their position. The functions and obligations of corporate management, as well as its structure and competences, are in accordance with the Code. The remunerations of all Members of the Board of Directors have been disclosed in the annual reports in compliance with the legal provisions. Shareholders have an easy access to information about remunerations. Members of Board of Directors avoid and do not allow any actual or potential conflict of interests.

To increase the trust of shareholders, investors and all other persons interested in the governance and activities of the Company was one of the principal commitments of corporate governance in the past year as well.

Enemona AD guarantees equal treatment of all shareholders, including minority and foreign shareholders, and protects their rights.

Following the policy for transparency in its relationships with shareholders, investors and the public, Enemona AD has announced the media through which it discloses regulated information: www.investor.bg.

The Board of Directors of Enemona AD believes that through its activity in 2011, it has created conditions for sufficient transparency of its relationships with investors, financial media and analysts in the capital market.

For the reporting year 2011, the Company has disclosed any regulated information on time and in accordance with the procedure provided for in LPOS and the regulations on its application.

A section "For investors" has been added in the Company's website – www.enemona.bg. The purpose of this section is to facilitate investors in receiving up-to-date and timely information. This section contains information about the financial and economic position of the Company, as well as materials concerning corporate events already held or forthcoming. The Company's contact information is published in the website, as also that of Investor Relations Director, thus encouraging shareholders and interested parties to ask for the information they need.

The Regular General Meeting of Shareholders is convened in accordance with the effective rules for making public the invitation, the agenda and draft decisions. All printed materials shall be made available to the shareholders in the office and published at the website of the Company.

The financial statements are published at the website of Enemona AD right after they are forwarded to the regulatory authority and the public, which enables the shareholders, investors and all interested parties to exercise control.

In conclusion it can be summarized that the activity of the Board of Directors of the Company in 2011 was in accordance with the National Code of Corporate Governance and International Standards.

Evidence for this is the inclusion of Enemona AD in the new INDEX OF THE COMPANIES HAVING GOOD CORPORATE GOVERNANCE - Corporate Governance Index (CGIX). The CGIX is an index comprising the seven companies listed on the Exchange that have the best corporate governance, based on the market capitalisation of the issues of ordinary shares included, adjusted by the free-float of each one.

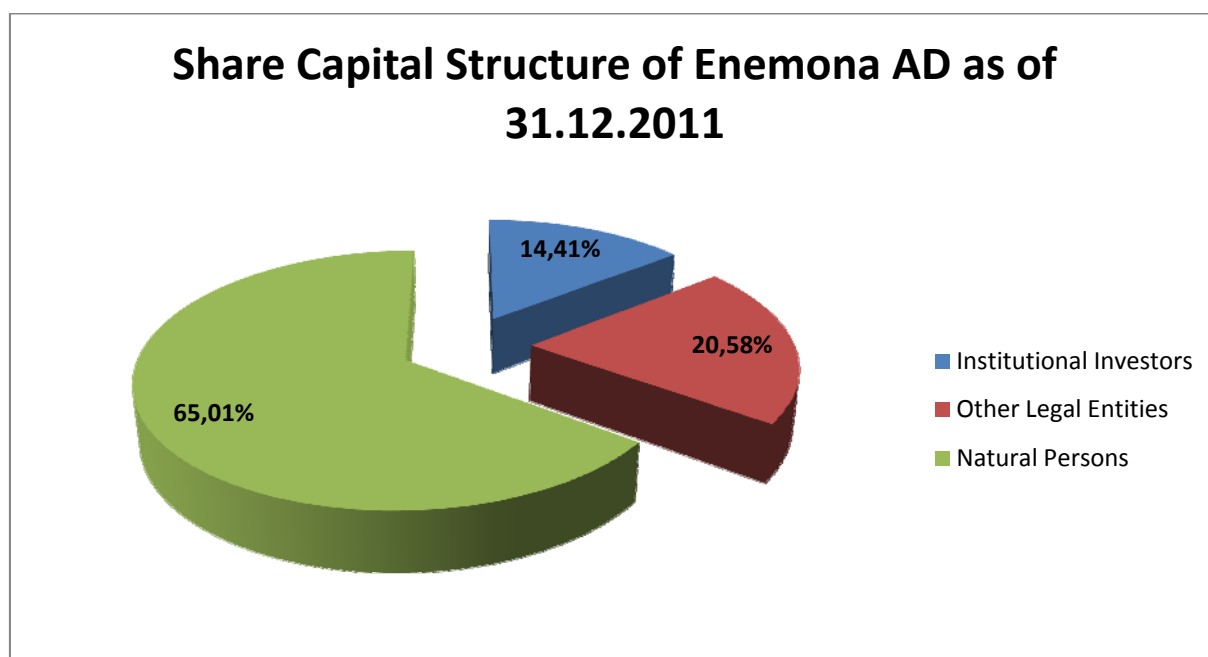
VIII. INFORMATION UNDER APPENDIX №11 OF ORDINANCE No. 2 OF SEPTEMBER 17, 2003 ON THE PROSPECTUSES TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET AND ON DISCLOSURE OF INFORMATION BY THE PUBLIC COMPANIES AND THE OTHER ISSUERS OF SECURITIES

- 1. Structure of the Company's capital including the securities that have not been admitted to trading on a regulated market in the Republic of Bulgaria or another member state, with indication of the different classes of shares, the rights and liabilities attaching to any of the classes of shares and the portion of the total capital which each individual class constitutes**

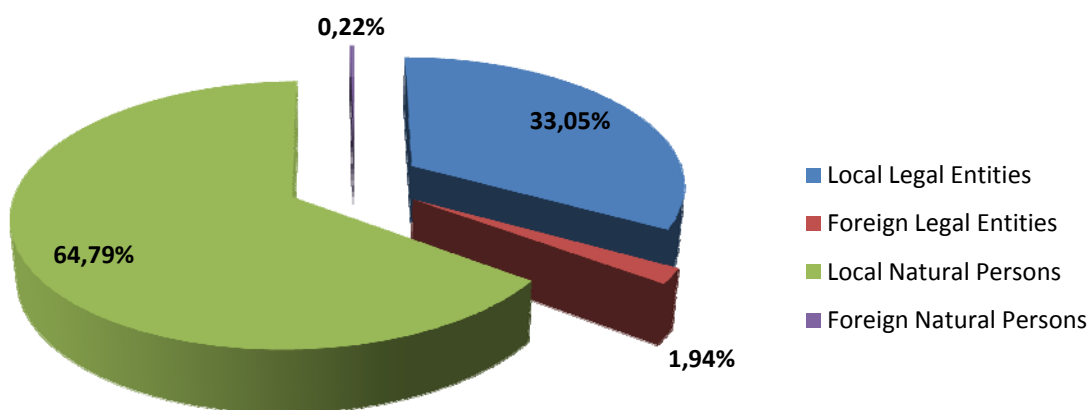
As of December 31, 2011 the Company's share capital amounts to 13,036,501 (thirteen million thirty-six thousand five hundred and one), divided into 11,933,600 ordinary shares with voting rights in the GMS and 1,102,901 preferred shares without voting rights at the GMS, giving their owners a guaranteed cumulative annual dividend of 10 per cent of the issue price per preferred share.

Structure of the capital (ordinary and preferred) shares:

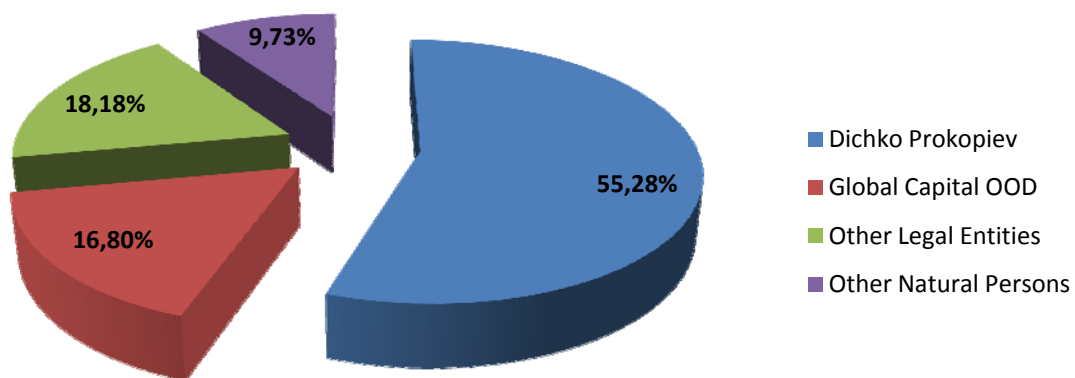
№	Shareholders	Number of shareholders	Number of shares
1.	Natural persons	2 312	8 475 239
2.	Legal entities	252	4 561 262
Total:		2 564	13 036 501



Share Capital Structure of Enemona AD as of 31.12.2011



Share Capital Structure of Enemona AD as of 31.12.2011



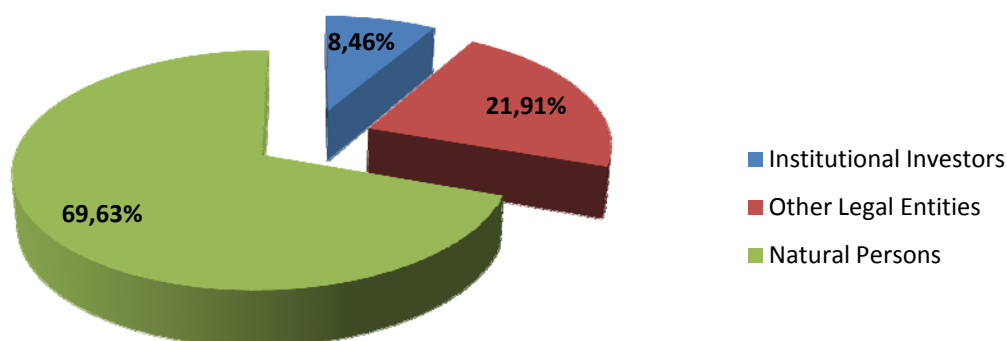
The structure of the issue of ordinary dematerialized shares, with voting rights, with a nominal value of BGN 1.00 and ISIN code BG1100042073 is shown below:

No	Shareholders	Number of shareholders	Number of shares
1.	Natural persons	2 056	8 309 202

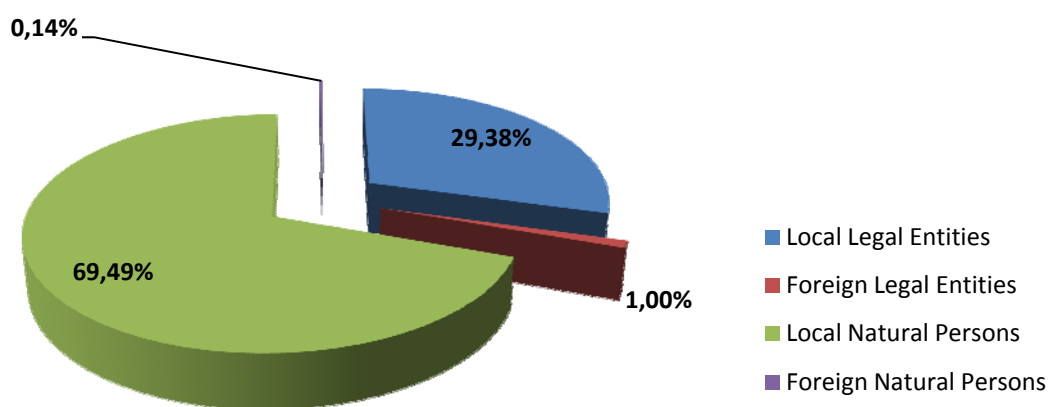
2.	Legal entities	198	3 624 398
Total:		2 254	11 933 600

ORDINARY SHARES⁴

Shareholder Structure of Ordinary Shares, issued by Enemona AD as of 31.12.2011

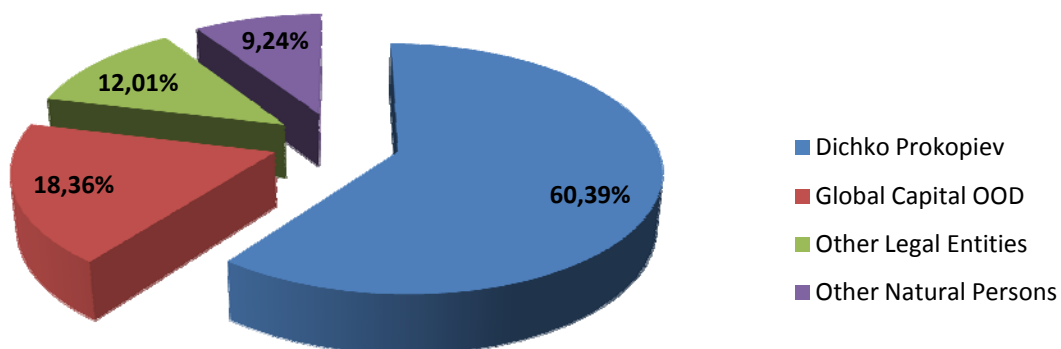


Shareholder Structure of Ordinary Shares, issued by Enemona AD of at 31.12.2011



⁴ The shares pledged under repo-transactions, owned by Dichko Prokopiev and Global Capital OOD, are included in their percentage of holding.

Shareholder Structure of Ordinary Shares, issued by Enemona AD of at 31.12.2011

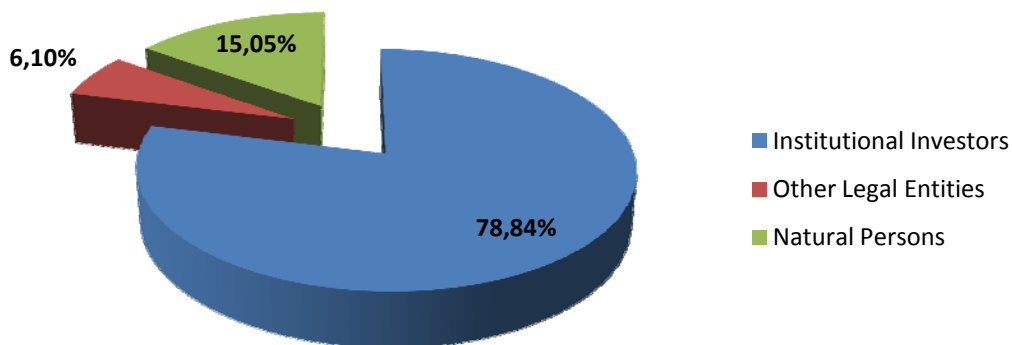


The structure of the issue of preferred, dematerialized shares, without voting rights, with a nominal value of BGN 1.00 and ISIN code BG1200001102 is shown below:

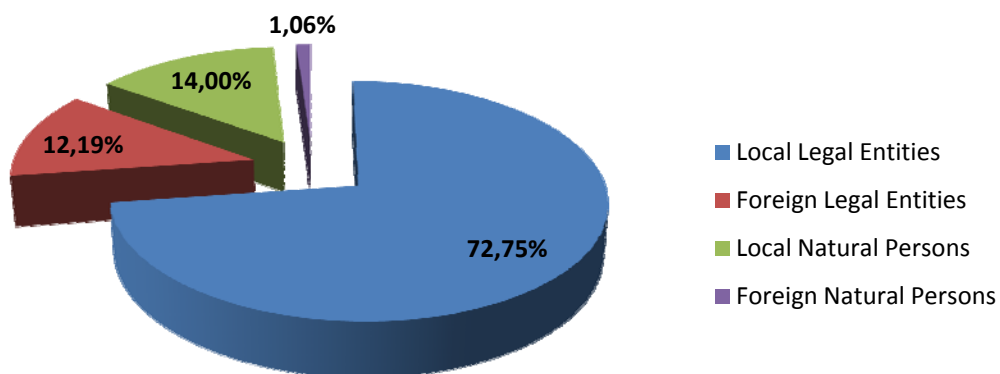
No	Shareholders	Number of shareholders	Number of shares
1.	Natural persons	256	166 037
2.	Legal entities	54	936 864
Total:		310	1 102 901

PREFERRED SHARES

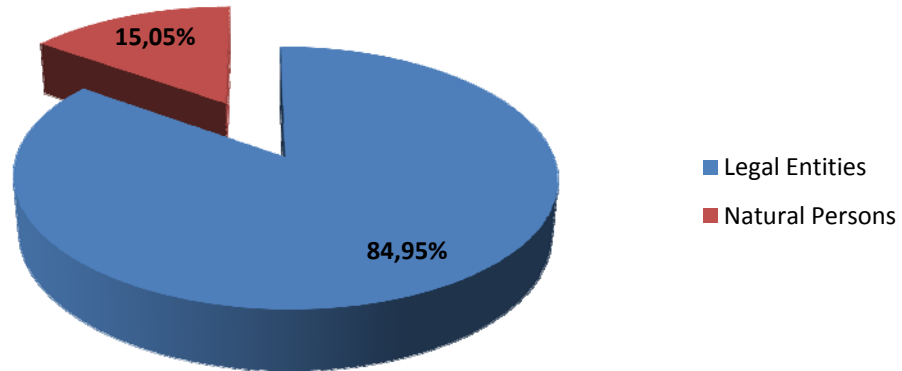
Shareholder Structure of Preferred Shares, issued by Enemona AD as of 31.12.2011



Shareholder Structure of Preferred Shares, issued by Enemona AD as of 31.12.2011



Shareholder Structure of Preferred Shares, issued by Enemona AD as of 31.12.2011

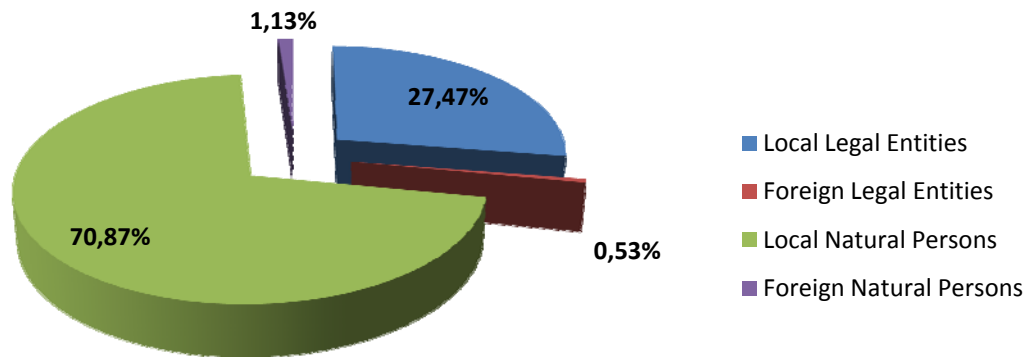


WARRANTS

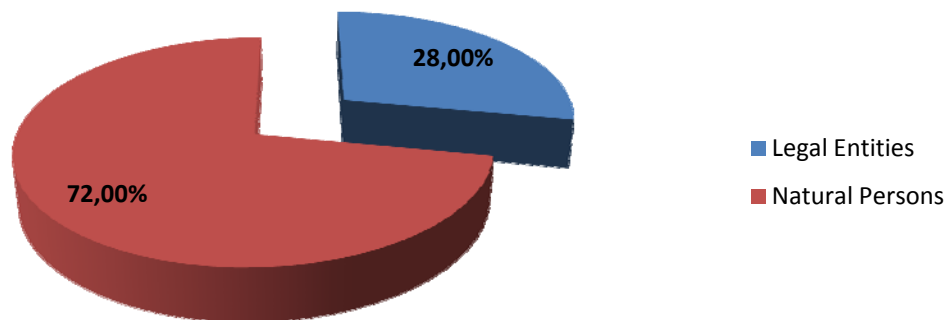
The structure of the issue of warrants, with an underlying asset – a future issue of ordinary shares, ISIN code BG9200001105 is shown below:

№	Shareholders	Number of shareholders	Number of shares
1.	Natural persons	277	4 296 152
2.	Legal entities	35	1 670 640
Total:		312	5 966 792

Structure of the Holders of Warrants issued by Enemona AD as of 31.12.2011



Structure of the Holders of Warrants issued by Enemona AD as of 31.12.2011



2. Limitations over the securities transfer, such as limitations for holding of securities or a requirement to obtain approval of the company or another shareholder

There are no limitations over securities transfer, such as limitations for holding of securities or a requirement to obtain approval of the company or another shareholder.

Securities are freely transferable, subject to the requirements of the applicable law for transactions in dematerialized securities. The Articles of Association and the other internal Acts of the Company may not establish conditions or restrictions on securities transfer.

3. Information on the direct and indirect holding of 5 or more percent of the voting rights in the company's General Meeting, including data about the shareholders, the amount of their holding and the manner in which the shares are owned

Ownership as of December 31, 2011⁵

Ownerships as of 31 December 2011	Ordinary Shares – 11 933 600	Preferred Shares – 1 102 901	Issued Share Capital – 13 036 501
Dichko Prokopiev	60.39%	-	55.28%
Global Capital OOD	18.36%	-	16.80%

Dichko Prokopiev owns directly and indirectly via Global Capital – 72,08% of the issued share capital.

As of December 31, 2011, a total of 2 139 000 ordinary shares, owned by Global Capital OOD, and 1 109 230 ordinary shares, owned by Dichko Prokopiev, are subject to repo transactions.

4. Data about the shareholders with special control rights and description of these rights

There are no shareholders with special control rights.

5. The control system in exercising the voting right in cases when officials of the company are also its shareholders and when the control is not exercised directly by them

There is no control system in exercising the voting right in cases when officials of the company are also its shareholders and when the control is not exercised directly by them.

6. Limitations over the voting rights, such as limitations over the voting rights of the shareholders with a given percent or number of votes, deadline for exercising the voting rights or systems whereby with the company's assistance, the financial rights attaching to the shares are separated from the holding of shares

There are no limitations over the voting rights.

7. Agreements among the shareholders, which are known to the company and which may result in limitations over the transfer of shares or the voting right

There are no agreements among the shareholders, which are known to the company and which may result in limitations over the transfer of shares or the voting right.

8. The provisions about the appointment and dismissal of the members of the company's management bodies and about introduction of amendments and supplements to the Articles of Association

The General Meeting of Shareholders decides by a majority of more than a half of the shares with voting rights about the election and dismissal of members of the Board of Directors. Members of the Board of Directors are elected for a term of 5 years.

⁵ The shares pledged under repo-transactions, owned by Dichko Prokopiev and Global Capital OOD, are included in their percentage of holding.

Members of the Board of Directors may be reelected without any limitations. After termination of their mandate, the Board of Directors shall continue to perform its functions until General Meeting of Shareholders elects a new Board of Directors.

9. The powers of the company's management bodies, including the right to take decisions for the issue and redemption of shares in the company

Enemona AD has one-tier management system. The bodies of the Company are the General Meeting of Shareholders and a Board of Directors.

The General Meeting of Shareholders includes shareholders entitled to vote. They attend the General Meeting either personally or through a person authorized by an express written authorization in compliance with Art. 116, Para.1 from LPOS.

The Company is managed by a Board of Directors elected by the General Meeting of Shareholders.

The company has a one-tier system of government – Board of Directors, consisting of:

Members of the Board of Directors:

1. Dichko Prokopiev Prokopiev – Chairman of the of Board of Directors;
2. Tsvetan Kamenov Petrushkov - Deputy Chairman of the Board of Directors;
3. Lyudmil Ivanov Stoyanov- Deputy Chairman of the Board of Directors;
4. Ilian Borisov Markov – Member of the Board of Directors;
5. Prokopi Dichev Prokopiev - Member of the Board of Directors;
6. Margarita Ivanova Dineva – Independent Member of the Board of Directors;
7. Georgi Zamfirov Goranov - Independent Member of the Board of Directors, and
8. Ivan Dimitrov Petrov - Independent Member of the Board of Directors.

Representatives:

To third parties, the Company is jointly and independently represented by:

Dichko Prokopiev Prokopiev – Chief Executive Officer;

Tsvetan Kamenov Petrushkov - Executive Director;

Lyudmil Ivanov Stoyanov - Executive Director;

Bogdan Dichev Prokopiev - Procurator.

Under Art. 37, Para. 1 of the Articles of Association of the Company within five years from registering in the Trade Register, the Board of Directors may decide to increase the capital to 100 million (one hundred million) by issuing new shares.

10. Significant contracts of the company which give rise to action, have been amended or terminated due to change in the control of the company upon carrying out of obligatory tender offer and the consequences thereof, save for the cases when the disclosure of such information may cause serious damages to the company; the exception of the previous sentence shall not apply in the cases when the company must disclose information by virtue of the law

There are no significant contracts of the Company which give rise to action, have been amended or terminated due to change in the control of the Company upon carrying out of an obligatory tender offer.

11. Agreements between the company and its management bodies or officials for payment of compensation upon quitting or dismissal without legal grounds or upon termination of the labour relations due to reasons, related to a tender offer

There are no agreements between the Company and its management bodies or officials for payment of compensation upon quitting or dismissal without legal grounds or upon termination of the labour relations due to reasons, related to a tender offer.

Date: April 27, 2012

On behalf of the Management of Enemona AD:




Tsvetan Kamenov Petrushkov
Executive Director

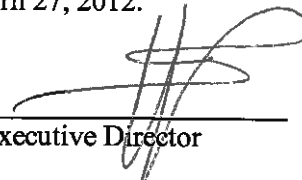


ENEMONA AD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Note	As of 31.12.2011	As of 31.12.2010
NON-CURRENT ASSETS			
Property, plant and equipment	4	51,049	79,409
Investment property	5	534	550
Intangible assets	6	731	1,877
Exploration and evaluation assets	7	1,579	1,555
Investments in associates	8	4	4
Loans and advances	9	33,710	28,723
Financial assets available for sale	10		49
Goodwill	11	2,113	3,413
Other non-current assets		5	117
Deferred tax assets, net	30	2,626	-
TOTAL NON-CURRENT ASSETS		92,351	115,697
CURRENT ASSETS			
Inventories	12	4,674	12,245
Trade and other receivables	13	41,214	57,480
Gross amounts due from customers on construction contracts	21	22,567	39,928
Financial assets held for trading	27.2	53,700	-
Loans and advances	9	21,156	18,162
Cash and cash equivalents	14	11,738	6,628
TOTAL CURRENT ASSETS		155,049	134,443
TOTAL ASSETS		247,400	250,140

These consolidated financial statements are approved on April 27, 2012.


Prepared by


Executive Director



The accompanying notes are an integral part of these consolidated financial statements.

ENEMONA AD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2011

All amounts are in thousand Bulgarian Levs, except otherwise stated

	Note	As of 31.12.2011	As of 31.12.2010
EQUITY			
Issued share capital	15	49,299	49,299
Reserves	15	39,190	39,083
Retained earnings		12,316	17,913
Total equity of the shareholders of the Parent company		100,805	106,295
Non-controlling interests		2,110	6,237
TOTAL EQUITY		102,915	112,532
NON-CURRENT LIABILITIES			
Loans	16	13,633	20,422
Finance lease	17	1,400	3,517
Financial liabilities on preferred shares	15.2	3,747	4,203
Liability on investments for trading	27.2	11,583	
Long-term employee benefits	18	108	163
Deferred tax liabilities, net	30	69	1,874
TOTAL NON-CURRENT LIABILITIES		30,540	30,179
CURRENT LIABILITIES			
Trade and other payables	19	35,623	27,010
Gross amounts due to customers on construction contracts	21	5,204	5,915
Loans	16	71,114	71,230
Finance lease	17	1,011	1,856
Current tax liabilities	30	615	1,010
Provisions	20	378	408
TOTAL CURRENT LIABILITIES		113,945	107,429
TOTAL EQUITY AND LIABILITIES		247,400	250,140

These consolidated financial statements are approved on April 27, 2012.

Prepared by 

Executive Director 



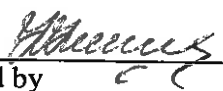
The accompanying notes are an integral part of these consolidated financial statements.

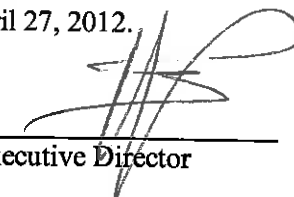
ENEMONA AD
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in thousand Bulgarian Levs, except otherwise stated

	Note	Year ended 31.12.2011	Year ended на 31.12.2010
CONTINUING OPERATIONS			
Revenue	21	176,255	174,839
Finance income	22	4,329	3,929
Changes in finished goods and work in progress reserves	12	296	186
Cost of goods sold	23	(85,408)	(70,700)
Materials and consumables used	23	(37,715)	(29,396)
Hired services	24	(24,169)	(34,179)
Employee benefits expenses	25	(28,359)	(30,406)
Depreciation and amortization expenses	4, 6	(3,177)	(3,121)
Other expenses	26	(4,249)	(2,641)
Other gains, net	27	6,687	699
Finance costs	28	(6,993)	(5,923)
Profit before tax from continuing operations		(2,503)	3,287
Income tax benefit/ (expense)	30	2,422	(399)
Net(loss)/profit for the year from continuing operations		(81)	2,888
DISCONTINUED OPERATIONS			
(Loss)/ profit from discontinued operations	29	(5,322)	1,559
NET (LOSS)/PROFIT FOR THE YEAR		(5,403)	4,447
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(5,403)	4,447
Share in net profit/ (loss) attributable to:			
- non-controlling interest		(430)	(215)
- Parent-company		(4,973)	4,662
Share in total comprehensive income attributable to:			
- non-controlling interest		(430)	(215)
- Parent-company		(4,973)	4,662
Basic and diluted earnings per share from continuing and discontinued operations			
	31	(0.41)	0.39
Basic and diluted earnings per share from continuing operations			
		0.03	0.26

These consolidated financial statements are approved on April 27, 2012.

Prepared by 

Executive Director 



The accompanying notes are an integral part of these consolidated financial statements.

ENEMONA AD
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

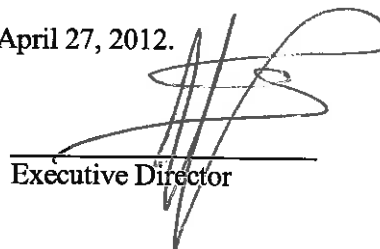
	Year ended 31.12.2011	Year ended 31.12.2010
Cash flows from operating activities		
Receipts from customers	204,940	186,529
Payments to suppliers	(167,762)	(174,799)
Payments to employees	(32,361)	(35,072)
Profit tax paid	(784)	(1,774)
Payments for other taxes	(117)	(1,044)
Other cash flows from operating activities	(3,462)	(1,794)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES, NET	454	(27,954)
Cash flows from investing activities		
Purchase of property, plant and equipment	(536)	(10,757)
Proceeds from sale of property, plant and equipment	50	314
Loans granted	(15,466)	(19,443)
Proceeds from loan repayment	12,316	15,932
Purchase of loans and receivables	(594)	(3,838)
Proceeds from ESCO contracts	5,941	6,058
Net cash inflow on disposal of subsidiaries	10,338	-
Dividends received	125	136
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES, NET	12,174	(11,598)
Cash flows from financing activities		
Proceeds from borrowings	57,243	78,629
Repayments of borrowings	(58,110)	(58,125)
Proceeds from issue of shares	23	11,099
Payments under lease agreements	(1,226)	(2,294)
Interest paid	(5,135)	(5,032)
Dividends	(885)	(1,464)
Proceeds on disposal of partial interest in a subsidiary without loss of control	12	-
Other cash flows (used in)/ from financing activities	(17)	9
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES, NET	(8,095)	22,822
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	4,533	(16,730)
CASH AT THE BEGINNING OF THE PERIOD (NOTE 14)	6,628	22,205
CASH AT THE END OF THE PERIOD (NOTE 14)	11,161	5,475
Restricted cash (note 14)	577	1,153
TOTAL CASH ON HAND AND AT BANKS (NOTE 14)	11,738	6,628

These consolidated financial statements are approved on April 27, 2012.

Prepared by



Executive Director




The accompanying notes are an integral part of these consolidated financial statements.

ENEMONA AD
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31 2011

All amounts are in thousand Bulgarian Levs, except otherwise stated

	Ordinary shares	Preferred shares	Premiums from issue of shares	Legal reserves	Other reserves	Retained earnings	Non-controlling interests	Total
BALANCE AT JANUARY 1,2010	11,934	-	30,837	23,346	993	29,387	6,452	102,949
Allocations of profit from prior years	-	-	-	14,744	-	(14,744)	-	-
Issue of preferred shares	-	1,103	5,425	-	-	-	-	6,528
Allocation of dividends	-	-	-	-	-	(1,538)	-	(1,538)
Profit for the year	-	-	-	-	-	4,662	(215)	4,447
Other movements	-	-	-	-	-	146	-	146
BALANCE AT DECEMBER 31, 2011	11,934	1,103	36,262	38,090	993	17,913	6,237	112,532
Allocations of profit from prior years	-	-	-	-	107	(107)	-	-
Disposal of partial interest in a subsidiary	-	-	-	-	-	(22)	34	12
Disposal of discontinued operations	-	-	-	-	-	(167)	(3,773)	(3,940)
Dividend distributions	-	-	-	-	-	(328)	(22)	(350)
Loss for the year	-	-	-	-	-	(4,973)	(430)	(5,403)
Change in non-controlling interest from increase in the capital of subsidiaries	-	-	-	-	-	-	62	62
Other movements	-	-	-	-	-	-	2	2
BALANCE AT DECEMBER 31, 2011	11,934	1,103	36,262	38,090	1,100	12,316	2,110	102,915

These consolidated financial statements are approved on April 27, 2012.

Prepared by 


Executive Director



The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in thousand Bulgarian Levs, except otherwise stated

1. Organisation and scope of activity

Enemona AD (the "Parent company") was initially registered as a partnership company in 1990 and in 1994 the Parent-company was registered as a joint-stock company. The address of the Parent-company according to the court registration is at the city of Kozlodui, Panait Hitov 1A. The Parent-company is a public entity and its shares are registered at the Financial Supervision Commission in order to be traded at the Bulgarian Stock Exchange. As of December 31, 2011 and 2010 the major shareholder of Enemona AD is Dichko Prokopiev Dichkov. There have been no changes in the legal status of the Parent company during the current financial year.

The scope of activity of the Parent Company is construction works, which includes all stages from design to assembly and construction.

As of December 31, 2011 and 2010 the employees of the Group are 1,168 and 1,859, respectively.

As of December 31, 2011 the following subsidiaries of the Parent company have been included in the consolidation:

Company	Description of activities	Interest	
		As of 31.12.2011	As of 31.12.2010
Enemona Utilities AD	Trade in electrical power	99,46%	100.00%
FEEI ADSIP	Special investment purpose company – securitization of receivables	88,97%	70.76%
Pirin Power AD	Design and construction of energy projects	100.00%	100.00%
FINI ADSIP	Special investment purpose company – purchase of real estate	69.23%	69.23%
Hemus gas AD	Construction of compressor stations	50.00%	50.00%
Esko engineering AD	Heating and air conditioning projects	99.00%	99.00%
TFETS Nikopol EAD	Construction of electric power station	100.00%	100.00%
Enemona Galabovo AD	Construction contracts	91.13%	91.13%
Nevrokop gas AD	Trade in gas	90.00%	90.00%
EMKO AD	Construction contracts	77.36%	77.36%
Regionalgas AD	Gasification projects	50.00%	50.00%
PPP Mladenovo EOOD	Prospecting, design, construction and assembly, commissioning, reparation, servicing and engineering works	100.00%	-
Artantes Mining Group AD	Exploration of mineral resources	100.00%	-

The basis and principles for the preparation of the consolidated financial statements are disclosed in note 2.2. below.

In May 2010 the Group registered a branch in the Republic of Slovakia, which is related to carrying out a construction contract.

In June 2011 the Group started its activity in Germany through place of activity there.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in thousand Bulgarian Levs, except otherwise stated

1. Organisation and scope of activity (continued)

In 2011, the Group has been established two subsidiaries- Artanes Mining Group AD and PPP Mladenovo EOOD. As of 31 December 2011 both subsidiaries are fully owned by the Group. The shares of Artanes Mining Group AD are traded at Bulgarian Stock Exchange.

As of December 31, 2011 the share of Enemona AD in EESF SPV increased from 70.76% or 922,201 ordinary shares to 88.97% or 3,462,201 ordinary shares with voting rights following the capital raising done by EESF SPV during 2011.

Discontinued operations

In 2011 the Group sold its investments in the following subsidiaries, presented as discontinued operations in these consolidated financial statements:

Company	Description of activity	Interest	
		As of 31.12.2011	As of 31.12.2010
Agro Invest Engineering AD	Cultivation of agricultural land	-	99.98%
Solar Energy OOD	Solar energy station project	-	80.00%
Neo Agro The AD	Recultivation of plots	-	90.00%
Lomsko pivo AD	Beer production	-	53.04%

On March 31, 2011 the Company signed sales agreement with Sofia France Auto AD for the disposal of 99.98% of the capital of its subsidiary Agro Invest Engineering AD together with the stake of 49,96% in Lomsko pivo AD. The consideration agreed amounted to BGN 18,422 thousand (note 29).

On June, 28 2011 the Company signed a sales agreement for the disposal of 90% from the Neo Agro Tech and 80% from the Solar Energy OOD investments. The consideration agreed amounted to 49 BGN thousand.

2. Accounting policy

2.1 General financial reporting framework

These consolidated financial statements are prepared in all material respects in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Union (the "EU") and applicable in the Republic of Bulgaria.

Changes in IFRS

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- Amendments to IAS 24 Related Party Disclosures - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on July 19, 2010 (effective for annual periods beginning on or after January 1, 2011),

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in thousand Bulgarian Levs, except otherwise stated

2. Accounting policy (continued)

2.1 General financial reporting framework (continued)

Changes in IFRS (continued)

- Amendments to IAS 32 Financial Instruments: Presentation– Accounting for rights issues, adopted by the EU on December 23, 2009 (effective for annual periods beginning on or after February 1, 2010),
- Amendments to IFRS 1 First-time Adoption of IFRS- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on June 30, 2010 (effective for annual periods beginning on or after July 1, 2010),
- Amendments to various standards and interpretations Improvements to IFRSs (2010) resulting from the annual improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on February 18, 2011 (amendments are to be applied for annual periods beginning on or after July 1, 2010 or January 1, 2011 depending on standard/interpretation),
- Amendments to IFRIC 14 IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum Funding Requirement, adopted by the EU on July 19, 2010 (effective for annual periods beginning on or after January 1, 2011),
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, adopted by the EU on July 23, 2010 (effective for annual periods beginning on or after July 1, 2010).

The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- Amendments to IFRS 7 Financial Instruments: Disclosures- Transfers of Financial Assets, adopted by the EU on November 22, 2011 (effective for annual periods beginning on or after July 1, 2011).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the date of publication of financial statements:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2015),

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in thousand Bulgarian Levs, except otherwise stated

2. Accounting policy (continued)

2.1 General financial reporting framework (continued)

Changes in IFRS (continued)

- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after January 1, 2013),
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after January 1, 2013),
- IFRS 12 Disclosures of Involvement with Other Entities (effective for annual periods beginning on or after January 1, 2013),
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after January 1, 2013),
- IAS 27 (revised in 2011) Separate Financial Statements (effective for annual periods beginning on or after January 1, 2013),
- IAS 28 (revised in 2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 1 First-time Adoption of IFRS- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011),
- Amendments to IFRS 7 Financial Instruments: Disclosures- Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 9 Financial Instruments” and IFRS 7 Financial Instruments: Disclosures– Mandatory Effective Date and Transition Disclosures,
- Amendments to IAS 1 Presentation of financial statements -Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012),
- Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012),
- Amendments to IAS 19 Employee Benefits - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IAS 32 Financial instruments: presentation - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014),
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after January 1, 2013).

The Group expects that the adoption of these standards, amendments to existing standards and interpretations will have no material impact on the consolidated financial statements of the Company in the period of initial application, except for the noted below which might have material effect on the consolidated financial statements:

- IFRS 9 Financial instruments, which uses a single approach to determine whether a financial asset is measured at amortized cost or at fair value, replacing the variety of rules of IAS 39. The approach in IFRS 9 is based on how the entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the variety of rules of IAS 39.
- IFRS 10 Consolidated financial statements, which defines the accounting principles and procedures for preparation of consolidated financial statements.
- IFRS 12 Disclosures of Involvement with Other Entities, which requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

2. Accounting policy (continued)

2.1 General financial reporting framework (continued)

Changes in IFRS (continued)

- IFRS 13 Fair Value Measurement, which defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the financial statements, if applied as at the reporting date.

2.2 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments and the deemed cost of buildings on the first time adoption of IFRS.

These consolidated financial statements have been prepared on accrual basis, under the going concern assumption.

2.3 Principles of consolidation

As of December 31, 2011 and 2010 the Group consists of the Parent company and its subsidiaries listed in note 1.

A subsidiary is an entity that can be controlled by the Parent company through determining its financial and operating policies or in another manner to the extent that the Parent company can obtain benefits from its activities. Most often the exercising of control is accompanied by owning more than half of the voting rights in a given company.

The financial statements of the subsidiary are subject to full consolidation from the moment in which the Parent company obtains effective control and are excluded from the consolidated financial statements, when the company is no longer controlled by the Parent company.

When necessary, adjustments and reclassifications are made in the financial data of the separate financial statements of the subsidiaries in order to unify their accounting policies with the accounting policy of the Parent company.

All significant intra-group balances and intra-group transactions, as well as intra-group profits and losses are eliminated as a result of the consolidation procedures.

Non-controlling interests in subsidiaries are disclosed apart from the Group's equity. Interest of non-controlling shareholders is measured at initial recognition of the business combination using one of the following methods: (1) at fair value and (2) as the proportional share in non-controlling interests in the fair value of the identifiable net assets of the acquired company. The method for initial accounting of non-controlling interests is chosen separately for each business combination. Upon subsequent measurement the balance of the non-controlling interests is determined as a sum of initially recognized balance and the share of non-controlling shareholders in the equity changes of the subsidiary. Comprehensive income is distributed to non-controlling interests even when this results in negative balance of the non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in thousand Bulgarian Levs, except otherwise stated

2. Accounting policy (continued)

2.3 Principles of consolidation (continued)

When acquiring investments in subsidiaries they are reported by applying the acquisition method, which includes identifying the acquirer, determining the consideration for the acquisition and allocating the consideration for the acquisition among the acquired assets, assumed liabilities and contingent liabilities. The consideration for the acquisition cost is an aggregate of the fair values, as of the date of exchange, of the assets granted, liabilities incurred or assumed and equity instruments, issued by the acquirer in exchange of control over the acquiree, as well as costs directly attributable to the transaction. The excess of acquisition price over the interest of the acquirer in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree is reported as goodwill. In cases when the acquisition price is lower than the interest of the investor in the fair value of the net assets of the acquired company, then the difference is recognized directly in the statement of comprehensive income.

Goodwill arising in business combinations is reviewed for impairment annually, or more often, if there are events or changes in circumstances, which indicate impairment.

Companies in which the Group has significant influence, but no control, are accounted for in the consolidated financial statements as associates (see note 2.13). Significant influence is the right of participation in the financial and operational decisions of the associates, but no control over these decisions.

2.4 Business combinations

According to the requirements of IFRS 3 Business combinations, business combination is alliance of companies or businesses into a single accounting entity. In case a company obtains control over another company which does not represent separate business the alliance of these companies is not recognized as business combination. A business combination is accounted for under the purchase method according to the requirements of the applicable standards.

When changes in Parent company's interests in subsidiaries occur in reporting periods after the control was obtained and do not result in a loss of control, they are accounted for as equity transactions (i.e. transactions with shareholders in their capacity of shareholders). In such circumstances the carrying amounts of the interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and their fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent company.

When the Group loses control of a subsidiary the profit or loss on disposal is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the carrying amount of the assets (incl. goodwill), liabilities and any non-controlling interests of the sold company.

2.5 Functional currency and presentation currency

According to the Bulgarian accounting legislation the Group keeps its records and prepares its financial statements in the national currency of the Republic of Bulgaria – Bulgarian lev, which effective January 1, 1999 is fixed to the euro at 1.95583 BGN for 1 EUR. The Group's functional currency is the Bulgarian national currency.

These consolidated financial statements are presented in thousand of BGN (BGN'000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in thousand Bulgarian Levs, except otherwise stated

2. Accounting policy (continued)

2.6 Foreign currency transactions

Transactions in foreign currency are initially recorded at the official rate of exchange of the Bulgarian National Bank (BNB) as of the date of the transaction. The foreign exchange rate differences, arising upon the settlement of these monetary positions or at restatement of these positions at rates, different from those when initially recorded, are reported in the statement of comprehensive income for the period in which they arise. The monetary positions denominated in foreign currency as of December 31, 2010 are stated in these financial statements at the closing exchange rate of BNB.

2.7 Accounting estimates and accounting assumptions

The preparation of the financial statements in accordance with IFRS requires management to make certain accounting estimates and reasonable assumptions that affect some of the reported amounts of assets and liabilities as of the date of the financial statements and the revenues and expenses during the reporting period. Although these estimates and assumptions are based on the best estimate of management, taking into account historical experience the actual results could differ from those estimates.

The critical accounting estimates and main sources of uncertainty in making these reasonable assumptions are disclosed in note 3 below.

2.8 Property, plant and equipment

Property, plant and equipment are initially measured at cost being purchase price and directly attributable costs, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and any accumulated impairment loss.

Expenses incurred after the assets were put into operation, such as repairs and maintenance, are reported in the statement of comprehensive income in the period in which they arise, except for when they increase the useful life of the assets.

Acquisition costs for property, plant and equipment comprise of non-current assets under construction and are recorded at cost. Such costs include expenses for construction of the property and equipment and other direct expenses. Acquisition costs are not subject to depreciation until the completion and placing the respective assets into operation.

The Group's assets are depreciated using the straight-line method. The useful life of the main categories of assets as of December 31, 2011 and 2010 is as follows:

Assets	<u>Useful life (years)</u>
Buildings	From 45 to 51
Machinery	From 5 to 7
Equipment	From 5 to 7
Fixture and fittings	From 5 to 10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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All amounts are in thousand Bulgarian Levs, except otherwise stated

2. Accounting policy (continued)

2.9 Property, plant and equipment (continued)

Assets acquired under finance lease are depreciated over their expected useful life on the same base as the own assets, or when the term of the lease agreement is less than the asset's useful life – over the term of the respective lease agreement, if there are no reasonable grounds to believe that the ownership will be acquired at the end of the lease term.

Gains or losses arising from sales of property, plant or equipment are calculated as a difference between the proceeds and the net book value of the assets sold, and are recorded in the statement of comprehensive income.

2.9 Investment properties

Investment properties of the Group consist of land and buildings owned by a special investment purpose company, which are held for generating income from rent or for selling at higher prices.

Investment properties are measured initially at cost, which includes the purchase price, as well as direct costs attributable to the acquisition of the properties. Subsequent expenses, related to the investment property, which have already been recognized, are added to the net book value of the investment property, when it is probable that future economic benefits will flow to the company that exceed the initially estimated efficiency of the existing investment property. All other subsequent expenses are recognized as expenses in the period when they arise.

Subsequent measurement of investment properties is performed by using the fair value, which measures an investment property after the initial recognition at cost. The changes in fair value are recognized in the statement of comprehensive income.

2.10 Intangible assets

Software and licenses are the major components comprising the intangible assets. Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that economic benefits will flow to the entity as a result of owning the asset and if the value of the asset can be measured reliably. After initial recognition intangible assets are measured at cost less accumulated amortization and impairment losses. Intangible assets are amortized during the useful life by using the straight line method.

The useful life of the main categories of intangible assets as of December 31, 2011 and 2010 is as follows:

Intangible assets	<u>Useful life (years)</u>
Software	7
Licenses, patents, trademarks and rights	17

2.11 Exploration and evaluation assets

Exploration and evaluation assets comprise of expenditures on exploration for and evaluation of mineral resources and are accounted in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources. These assets are measured at cost minus accumulated amortization and impairment loss.

2. Accounting policy (continued)

2.12 Exploration and evaluation assets (continued)

The Group capitalizes the expenditures for exploration and evaluation assets from the date of receiving the right for exploration until it is possible to prove the technical feasibility and commercial viability of the mineral resource. Subsequently, the Group reclassifies exploration and evaluation assets as intangible assets and depreciates them based on their expected useful life.

Exploration and evaluation assets are assessed for impairment when facts and circumstances show that the carrying amount of the exploration and evaluation assets may exceed their recoverable amount.

2.12 Impairment of property, plant and equipment and intangible assets

As of each date of the statement of financial position, the Group reviews whether there is any indication for impairment of property, plant and equipment and intangible assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit, to which the asset belongs.

Intangible assets with unidentified useful life and intangible assets that are not available for use are tested for impairment on an annual basis and also when there are any indications for impairment of the asset.

The recoverable amount is the higher of the asset's fair value less costs to sell the asset and its value in use. Upon measuring the value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease in the revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as an increase in the revaluation reserve.

2.13 Investments in associates

An associate is an entity over which Enemona AD, directly or indirectly through one or more subsidiaries, has significant influence, but is neither a subsidiary nor an interest in a joint venture. Significant influence is the right of participation in, but not control over the financial and operating policy decisions of the investee.

In these consolidated financial statements Enemona AD reports investments in associates using the equity method; i. e. reports the interest in the profit and losses of the associates.

2. Accounting policy (continued)

2.14 Segment reporting

Information on operating segments in these consolidated financial statements has been presented in a manner that is similar to the operational reports submitted to the management of the Group, on the basis of which decisions are taken regarding the resources, which should be allocated in segments and should measure the operating results.

2.15 Inventory

Inventory consists of materials, work in progress and finished work.

Inventories are stated at lower of cost and net realizable value. Cost comprises purchase price, manufacturing expenses and any other costs directly attributable to bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less the completion costs and all estimated costs to be incurred in marketing, selling and distribution. Upon consumption, the cost of inventories is calculated using the First in – first out method.

When materials are imported the exchange rate at the date of the invoice is used.

2.16 Employee benefits

In accordance with IAS 19 Employee Benefits the Group recognizes liabilities for retirement compensations, which are calculated by licensed actuary by using the Projected Unit Credit Method (see note 18). The amount reported in the statement of financial position, represents the current amount of the non-current liabilities of the Group for retirement compensations.

2.17 Lease

A given lease contract is classified as finance lease, if it transfers substantially all the risks and rewards incidental to ownership of an asset. All other leases are classified as operating lease.

Finance lease

In the inception a lease contract is recognized as an asset of the Group at the amount which at the inception of the lease term is equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments.

The respective liability to the lessor is reported in the statement of financial position as a finance lease liability.

Lease payments are apportioned between the finance cost and the decreased unpaid liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized directly in the statement of comprehensive income.

2. Accounting policy (continued)

2.17 Lease (continued)

Operating lease

Lease payments under operating lease are recognized as an expense in the statement of comprehensive income on a straight line basis over the lease term, except when another system basis is representative of the time when the lessee uses the rewards of the leased asset. Contingent costs for lease are recognized as an expense in the period when they arise.

When incentives are received in negotiating operating lease, they are recognized as a liability. The total reward of the incentives is recognized as a decrease of the costs for lease on a straight line basis over the lease term, except when another system basis represents the allocation of the rewards for the lessor for the use of the leased asset over time.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as provision is the best estimate of expenses, needed for repayment of current liability as of the date of the statement of financial position as liability risks and uncertainties are taken into consideration. When a provision is measured by the cash flows, set for settling the current liability, the carrying amount of the provision represents the present amount of the cash flows.

When some or all economic benefits, related to settling a liability, are expected to be repaid by third party, the receivables are recognized as an asset, if it is sure that the repaid amount will be received and the receivables could be measured reliably.

2.19 Taxes

Taxes due are calculated in accordance with the Bulgarian legislation. Income tax is calculated on the basis of taxable profit, whereby the financial result is transformed for certain income and expense items (as depreciation, provisions, shortages and penalties) in accordance with the Bulgarian tax legislation.

Deferred tax liability is recognized for all taxable temporary differences, unless it arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affected neither the accounting profit nor taxable profit (loss).

Deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. However, this principle does not apply when such differences arise from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affected neither the accounting profit nor taxable profit (loss).

2. Accounting policy (continued)

2.19 Taxes (continued)

Current and deferred taxes are recognized as income or expense and are included in the net profit for the period except to the extent that the tax arises from a transaction or event that is recognized in the same or different period, directly in equity. Current and deferred taxes are charged or credited directly to equity when the tax relates to items that are credited or charged directly to equity.

2.20 Financial instruments

The Group's financial instruments include cash on hand and in banks, trade and other receivables, loans granted and received, trade and other payables. The Group's management considers that the fair value of financial instruments approximates their carrying amount. Fair value is the value for which an asset can be exchanged or a liability can be settled between informed and independent parties in fair arm's length transaction.

Investments are recognized and disposed on the trading date where the sale or purchase of investment is performed by a contract which demands the delivery of the investment within the terms of the respective market and are initially measured at fair value, net of transaction costs, except for those financial assets classified by fair value in profit or loss, which are initially measured at fair value.

2.20.1 Financial assets

Financial assets are classified in the following specific categories: financial assets reported at fair value through profit or loss, held to maturity investments, available for sale financial assets and loans and receivables. The classification depends on the type and purpose of financial assets and is defined upon their initial recognition.

Trade receivables, loans and other receivables, which have fixed or determinable payments, which are not trade on active market, are classified as loans and receivables.

As of December 31, 2011 the Group does not own financial assets reported at "held to maturity" and "available for sale" categories. As of December 31, 2010 the Group does not own financial assets reported at "held to maturity" category.

Cash and cash equivalents

Cash comprises cash on hand and in banks. The Group considers all highly liquid financial instruments with maturity 3 months or less for cash equivalents. For the purpose of the cash flow statement cash and equivalents include cash and cash equivalents as described above.

Financial assets at fair value through profit or loss

A financial asset is classified as financial asset at fair value through profit or loss when the asset is held for trading or is designated as an instrument for accounting through profit or loss. As of December 31, 2011 the Group recognizes financial assets held for trading.

A financial asset is classified as held for trading when the asset is acquired mainly for the purpose of short-term sale or is part of a trading portfolio or is a derivative contract which is not used for hedging.

2. Accounting policy (continued)

2.20 Financial instruments (continued)

2.20.1 Financial assets (continued)

Regular transactions with financial instruments measured at fair value through profit or loss are recognized initially at trade date. The trade date is the date of the commitment to buy or sell the financial asset. On the settlement date the right over the asset is transferred. No derivative is recognized for the changes in the fair value in the time period between trade and settlement date.

Financial assets are initially measured at fair value. The fair value should normally be equal to the fair value of consideration given or received (“the transaction price”), when the transaction is conducted on arm’s length terms between informed and knowledgeable parties. The subsequent measurement of the financial assets at fair value through profit and loss is based on the fair value determined using active market quotes from observable market. An active market is a market on which there are regular quotations and transactions with the instrument. The market price from observable market is the closing price for non derivative financial asset. If it is not possible to determine the fair value from active market, a reliable valuation techniques are used, which are based on the information which all market participants would consider in the valuation of this financial instrument. The information from observable and not observable sources could be used in the valuation technique. The difference from changes in the fair value of the financial instrument is recognized in the comprehensive income for the period.

Loans and receivables

Loans and receivables are measured at amortized cost through the effective interest rate method except for current receivables where the recognition of the interest would be insignificant. Loans granted by the Group and receivables on financing of activities for energy efficiency are reported in the statement of financial position as „Loans and advances”, and other trade receivables – in “Trade and other receivables”.

Trade and other receivables are presented at nominal value less impairment loss, if any. An estimate for impairment and uncollectability loss is performed as of the end of each year based on review of receivables.

Impairment

As of the date of preparation of the financial statements financial assets with the exception of financial assets carried at fair value through profit or loss, are reviewed for indications of impairment. A financial asset is considered to be impaired only if objective evidence exists that as a result of one or more events, which have occurred after its initial recognition, the expected cash flows have been reduced.

For certain categories of financial assets, such as trade receivables and assets, which are considered not to be impaired separately, are subsequently reviewed for impairment on a collective basis. Objective evidence for impairment of a portfolio of receivables can include the past experience of the Company regarding the collection of payments, increase of the number of the overdue payments in the portfolio for more than the average loan period of 180 days, as well as observed changes in the national and local economic conditions, which are related to the overdue receivables.

For financial assets, measured at amortized cost, the amount of the impairment loss is the difference between the carrying amount of the assets and the present amount of the expected future cash flows, discounted by the initial effective interest rate.

2.20 Financial instruments (continued)

2.20.1 Financial assets (continued)

With the exception of the financial assets available for sale, if in a subsequent period the amount of the impairment loss is reduced or the decrease can be objectively attributed to an event after the recognition of the impairment, the prior impairment loss is recognized in the statement of comprehensive income to the extent that the carrying amount of the investment at the date on which the impairment is reported, does not exceed the amount which the amortized cost would have if no impairment had been recognized.

2.20.2 Issued financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or equity depending on the nature of the contract agreement.

Equity instruments

Equity instrument is every contract, evidencing residual interest in Group's assets after deduction of all its liabilities. Equity instruments are reported by receipts, net of expenses for their issuance.

Financial liabilities

Financial liabilities include received loans (bank loans, debenture loans and other borrowed funds) and trade and other payables.

Loans are initially measured at fair value, net of transaction costs. Subsequently loans are measured at amortized cost and the difference between due payments (net of transaction costs) and the amortized cost is recognized in the statement of comprehensive income over the period of the loan by using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating income/expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash receipts or payments (including all received fees and other margins or discounts) through the expected life of the financial instrument or, when appropriate for a shorter period, to its carrying amount.

Loans are recognized as short-term, except when the Group has the unconditional right to reschedule the payment of the liability for at least 12 months after the date of the statement of financial position.

Trade and other payables are valued at the amount they are expected to be settled in the future.

2.21 Income and expenses under construction contracts

The Group classifies as construction contract each contract in which it is specifically agreed that the construction of an asset or a number of assets, which are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contract revenue is measured at the fair value of the consideration received or receivable. Contract costs include all direct costs, attributable to the contract. Costs that are not attributable to the contract such as administrative expenses and selling costs are recognized during the reporting period regardless of the stage of completion of the contract.

2. Accounting policy (continued)

2.22 Income and expenses under construction contracts (continued)

When the result of a construction contract can be reliably measured, contract revenue and expenses are recognized by reference to the stage of completion of the contract as of the date of the statement of financial position, calculated as a ratio between the up-to-date contract expenses and the expected total amount of expenses under the contract. Expected loss under the construction contract is recognized as expense in the statement of comprehensive income.

Changes in construction works, payment of claims and incentives are recognized to the amount to which it is probable that they will lead to income realization and they can be reliably measured.

When the outcome of a construction cost cannot be reliably measured, contract revenue is recognized to the extent of contract costs incurred, if it is probable that they will be recovered by the customer.

2.22 Other income and expenses

Income from sales of finished goods is recognized when risks and benefits from ownership of the finished goods are transferred to the buyer and the transaction related costs can be measured reliably.

Income from sales of goods and services is recognized when it arises, independently of the cash receipts and payments, when the Group complies with the terms of sales and the significant risks and benefits, related to ownership of goods are transferred to the buyer.

Expenses are recognized in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or increase in a liability has arisen and can be measured reliably. Expenses are recognized on the basis of a current association between the costs incurred and the earnings of specific items of income. When economic benefits are expected to arise over several accounting periods and the association with the income can only be broadly or indirectly determined, expenses are recognized in the statement of comprehensive income on the basis of systematic and rational allocation procedures.

Interest income and expense are accrued on a time basis based on the principal due and the applicable/effective interest rate.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, are capitalized as part of the cost of this asset. Qualifying asset is the asset, which necessarily takes substantial period of time to get ready for its intended use or sale. Investment income earned on the temporary investment of specific borrowings granted explicitly for a qualifying asset decrease the borrowing costs eligible for capitalization.

Commercial activities are analyzed by the Group in order to identify presence or absence of agency relationship. The process includes the circumstances related with the risk and rewards for the Group, when goods are sold and services are rendered. When there is no agency relationship income and expenses (or cost) for the commercial activities of the Group are presented as gross amounts in the statement for comprehensive income.

3. Critical accounting estimates and main sources of uncertainty at making accounting assumptions

The preparation of financial statements in accordance with IFRS requires management to make certain accounting estimates and assumptions that affect some of the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the date of the statement of financial position and the reported revenues and expenses during the reporting period. These estimates and assumptions are based on the available information as of the date of preparation of the separate financial statements as actual results could defer from those estimates.

3. Critical accounting estimates and main sources of uncertainty at making accounting assumptions (continued)

3.1. Revenue and expenses under construction contracts

As disclosed in note 2.21 recognition of revenue from construction contracts requires the determination of a stage of completion for each construction contract. This stage is defined on the basis of available information for the total amount of the revenue receivable and total costs for the respective contract. The total amount of expenses under construction contracts depends on the volume and amount of construction activities to be performed to meet the obligations of the Group. The volume and amount of future activities depend on future factors which may defer from the management's estimations.

3.2. Impairment of non financial assets

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, whereas the recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between informed, knowledgeable, willing parties, less the costs of disposal. Value in use is based on the discounted cash flow model. The cash flows are determined on the budget estimates for the next five years. Recoverable amount depends on the discount factor used in the discounted cash flow model and on the expected future cash flows, as well as on the growth assumption.

3.3. Impairment of financial assets

Impairment of financial assets is determined based on the expected future cash flows discounted at the initial effective interest rate. When determining the expected future cash flows, the Group analyzes the financial capabilities of its debtors and the expected period for receiving the cash flows.

3.4. Useful life of property, plant and equipment and intangible assets

Another key sources of estimation uncertainty include estimation of useful lives of property, plant and equipment and intangible assets. In 2011 there are no circumstances that may trigger a change in the estimated useful lives of these assets.

3.5. Economic environment

In 2011 and 2010 as a result of the global financial crisis, a decrease in the economic development of the Bulgarian economy is perceived which affects a wide range of industrial sectors. This leads to noticeable aggravation of cash flows; decline in income and as a result to substantial worsening of the economic environment in which the Group operates. In addition the entity is exposed to significantly higher price, market, credit, liquidity, interest, operating and other risks. As a result, uncertainty for the ability of clients to settle their liabilities in accordance with contracted terms increases.

Therefore, the amount of impairment losses on loans granted, receivables from clients, and the value of other accounting estimates in subsequent periods could substantially differ from those determined and recorded in this separate financial statements. The management of the Group applies all necessary procedures to control these risks.

3.6. Fair value of financial assets

During 2011 the Bulgarian Stock Exchange market was not quite active. In case that the market does not recover, this may cause difficulties in realizing assets at the current active quotations.

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4. Property, plant and equipment

<i>Cost</i>	Land	Buildings	Machinery and equipment	Vehicles	Other	Assets under construction	Total
JANUARY 1, 2010	20,358	24,478	19,337	11,799	5,645	6,170	87,787
Additions	15	15	258	37	203	13,408	13,921
Transfers	3,145	9,175	1,170	17	116	(13,623)	-
Disposals	(990)	(114)	(13)	(338)	(21)	(3)	(1,479)
DECEMBER 31, 2010	22,513	33,554	20,752	11,515	5,943	5,952	100,229
Additions			351	51	56	2,105	2,563
Transfers	207	97	2	79	2	(387)	-
Disposals	(411)	(95)	(58)	(234)	(179)	-	(977)
Derecognized on disposal of subsidiaries	(16,020)	(6,055)	(9,776)	(1,156)	(2,096)	(1,141)	(36,244)
DECEMBER 31, 2011	6,289	27,501	11,271	10,255	3,726	6,529	65,571
<i>Accumulated depreciation</i>							
JANUARY 1, 2010	-	4,097	7,543	2,819	2,194	-	16,653
Depreciation charge	-	428	1,370	810	408	-	3,016
Depreciation charge for discontinued operations	-	121	935	60	194	-	1,310
Disposals	-	(17)	(3)	(136)	(3)	-	(159)
DECEMBER 31, 2010	-	4,629	9,845	3,553	2,793	-	20,820
Depreciation charge	-	548	1,323	797	410	-	3,078
Impairment	-	-	-	-	11	168	179
Disposals	-	(20)	(55)	(195)	(139)	-	(409)
Derecognized on disposal of subsidiaries	-	(2,412)	(5,408)	(281)	(1,045)	-	(9,146)
DECEMBER 31, 2011	-	2,745	5,705	3,874	2,030	168	14,522
<i>Net book value</i>							
JANUARY 1, 2010	20,358	20,381	11,794	8,980	3,451	6,170	71,134
DECEMBER 31, 2010	22,513	28,925	10,907	7,962	3,150	5,952	79,409
DECEMBER 31, 2011	6,289	24,756	5,566	6,381	1,696	6,361	51,049

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4. Property, plant and equipment (continued)

As of December 31, 2011 and 2010 property, plant and equipment with carrying amount of BGN 4,871 thousand and BGN 8,177 thousand, are leased under financial lease contract (see note 17).

As of December 31, 2011 and 2010 property, plant and equipment with carrying amount of BGN 20,966 thousand and BGN 39,495 thousand, respectively, are pledged as collateral under bank loan agreements (see note 16).

5. Investment properties

	As of 31.12.2011	As of 31.12.2010
Balance at the beginning of the year	550	742
Sales	-	(192)
Impairment	(16)	-
Balance at the end of the year	<u>534</u>	<u>550</u>

As of December 31, 2011 and 2010 the Group made revaluation of the investment properties to fair value and as a result the Group recognized an impairment loss of BGN 16 thousand for the year, ended at 31 December 2011. In 2011 no investment properties have been acquired or sold. In 2010 investment properties at the amount of BGN 192 thousand are sold.

The investment properties of the Group are rented out. The rent income reported in 2011 and 2010 in the statement of comprehensive income amount to BGN 67 thousand and BGN 93 thousand, respectively.

6. Intangible assets

	Rights	Software	Total
<i>Cost</i>			
JANUARY 1, 2010	2,662	374	3,036
Additions	9	20	29
Disposals	-	-	-
DECEMBER 31, 2010	<u>2,671</u>	<u>394</u>	<u>3,065</u>
Additions			
Disposals		(70)	(70)
Derecognized on disposal of subsidiaries	(1,180)	(16)	(1,196)
DECEMBER 31, 2011	<u>1,491</u>	<u>308</u>	<u>1,799</u>
<i>Accumulated amortization</i>			
JANUARY 1, 2010	808	225	1,033
Charged for the period	63	42	105
Charge for discontinued operations	49	1	50
Disposals	-	-	-
DECEMBER 31, 2010	<u>920</u>	<u>268</u>	<u>1,188</u>
Charged for the period	65	34	99
Disposals	-	(63)	(63)
Derecognized on disposal of subsidiaries	(150)	(6)	(156)
DECEMBER 31, 2011	<u>835</u>	<u>233</u>	<u>1,068</u>
<i>Net book value</i>			
JANUARY 1, 2010	<u>1,854</u>	<u>149</u>	<u>2,003</u>
DECEMBER 31, 2010	<u>1,751</u>	<u>126</u>	<u>1,877</u>
DECEMBER 31, 2011	<u>656</u>	<u>75</u>	<u>731</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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7. Exploration and evaluation assets

Exploration and evaluation assets represent capitalized expenditures on energy project Lom Lignites. The project is related to obtaining concession for lignite production from Lom Lignite field.

The project Lom Lignites started in October 2007 with a contract for prospecting and exploration between the Parent company and Ministry of economy and energy. As of December 31, 2011 and 2010 exploration and evaluation assets amount to BGN 1,579 thousand and BGN 1,555 thousand, respectively. As of these dates the Group has not charged amortization of the assets as the technical feasibility and commercial viability of the project are not demonstrable.

As of December 31, 2011 and 2010 the Group estimated that there are no indications for impairment of the exploration and evaluation assets and no impairment has been recorded on them.

On 21 April 2011, the Parent company sold the exploration and evaluation assets to its subsidiary Artanes Mining Group AD, established with the special purpose to develop and manage the project.

8. Investments in associates

As of December 31, 2011 and 2010 investments in associates are as follows:

COMPANY	Share		COST	
	As of 31.12.2011	As of 31.12.2010	As of 31.12.2011	As of 31.12.2010
Alfa Enemona OOD	40%	40%	4	4
TOTAL			4	4

In these consolidated financial statements the investment in associated company is presented using the equity method, considering the share of profit and loss of the associated company.

The share of the Group in the profit of the associated company is as follows:

Alfa Enemona OOD	As of 31.12.2011	As of 31.12.2010
Total assets	264	401
Total liabilities	58	60
Net assets	206	341
Share of the Group in the net assets in the associated company	82	136
Alfa Enemona OOD	Year ended 31.12.2011	Year ended 31.12.2010
Total revenue	526	808
Total profit for the period	179	314
Share of the Group in the profit of the associated company	72	126

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9. Current and non-current loans and receivables

Current and non-current loans and receivables as of December 31, 2011 and 2010 are as follows:

<i>Non-current loans and receivables</i>	As of 31.12.2011	As of 31.12.2010
Receivables on ESCO contracts of the Group	25,537	15,420
Receivables related to securitization with counterparties outside the Group	1,890	9,913
Cession receivables	5,181	-
Loans granted to non related parties	-	136
Loans granted to employees	2,060	3,238
Other assets	15	16
TOTAL NON-CURRENT LOANS AND RECEIVABLES	34,683	28,723
Impairment of loans granted to employees (note 27.1)	(973)	-
TOTAL NON-CURRENT LOANS AND RECEIVABLES, NET	33,710	28,723
 <i>Current loans and receivables</i>	 As of 31.12.2011	 As of 31.12.2010
Receivables on ESCO contracts of the Group	6,497	3,730
Receivables related to securitization with counterparties outside the Group	1,224	2,839
Cession receivables	1,845	-
Loans granted to non related parties	16,543	11,569
Other assets	-	24
TOTAL CURRENT LOANS AND RECEIVABLES	26,109	18,162
Impairment of loans granted to non related parties (note 27.1)	(4,953)	-
TOTAL CURRENT LOANS AND RECEIVABLES, NET	21,156	18,162

Receivables on ESCO contracts of the Group represent receivables on contracts for engineering performance with guaranteed result (ESCO contracts), under which the engineering activities are performed by the Group and deferred payment has been negotiated.

Receivables related to securitization represent receivables, acquired under cession contracts with companies not in the Group.

As of 31 December 2011 cession receivables comprise present value of the transferred receivable to local company.

Loans granted to related parties, non related parties and employees are not secured and have interest rate of 6% to 10%.

As of December 31, 2011 and 2010 non-current loans and receivables to the amount of BGN 8,337 thousand and BGN 11,676 thousand, respectively, are pledged as collateral under debenture loan and loan from The European Bank for Reconstruction and Development (EBRD) –see note 16.

The movement of the impairment allowance is presented below:

	As of 31.12.2011	As of 31.12.2010
Balance at the beginning of the year	-	-
Recognized impairment of non-current loans and receivables	973	-
Recognized loss from impairment of current loans and receivables	4,953	-
Balance at the end of the year	5,926	-

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10. Available for sale financial assets

	As of 31.12.2011	As of 31.12.2010
Compensatory instruments	-	49
Total financial assets available for sale	-	49

In 2011 the Group disposed of its compensatory instruments through the sale of subsidiaries.

11. Goodwill

	КЪМ 31.12.2011	КЪМ 31.12.2010
Cost of goodwill	3,413	3,413
Impairment of goodwill	(1,300)	-
Carrying amount	2,113	3,413

Goodwill amounting to BGN 3,413 thousand is formed by acquiring the subsidiary EMKO AD in 2008. The amount of goodwill is determined as a difference between the acquisition cost and the acquired share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the acquired company.

As of December 31, 2011 the Group carried out an impairment review of the recoverable amount of the goodwill and ascertained impairment indicators. For the valuation of the goodwill the Group used the method of the free cash flows to the firm and the expected future cash flows which will be generated by the entity during the next five years are discounted to their present value as of the reporting date with the weighted-average cost of capital. Due to the absence of comparative transactions in the field of operations of the entity, as well as market deals at the Bulgarian Stock Exchange, the fair value valuation is not applicable for determining the valuation of the investment.

For the purposes of this analysis, the goodwill is allocated to a construction cash generating unit – subsidiary EMKO AD.

As a result of the analysis, the Group recognized an impairment loss for the goodwill in EMKO AD at the amount of BGN 1,300 thousand (reference to note 27.1)

12. Inventories

	As of 31.12.2011	As of 31.12.2010
Materials	4,262	9,545
Finished goods	-	276
Goods	21	10
Unfinished goods	391	2,414
TOTAL	4,674	12,245

As of December 31, 2011 the Group recognized an impairment of inventory at the amount of BGN 88 thousand (2010: BGN 48 thousand), presented in the consolidated statement of comprehensive income for the year (reference to note 27.1).

As of December 31, 2011 inventories at cost to the amount of BGN 3,912 thousand (2010: BGN 4,466 thousand) are pledged as collateral under loans (see also note 16).

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13. Trade and other receivables

	As of 31.12.2011	As of 31.12.2010
Receivables from customers	28,291	32,476
Advances to suppliers	9,268	14,364
Retentions	5,979	5,192
Advances to employees	225	55
Receivables from related parties	1	13
Other receivables	3,391	6,240
TOTAL TRADE AND OTHER RECEIVABLES	47,155	58,340
Impairment of receivables from customers	(5,941)	(860)
TOTAL TRADE AND OTHER RECEIVABLES, NET	41,214	57,480

As of December 31, 2011 and 2010 trade and other receivables at the amount of BGN 30,774 thousand and BGN 41,303 thousand, respectively, are pledged as collateral under loan contracts (see also note 16).

The movement of the allowance for impairment of uncollectable receivables is presented below:

	As of 31.12.2011	As of 31.12.2010
Balance at the beginning of the year	860	649
Recognized loss from impairment of receivables	5,308	298
Recovered during the period	(44)	(86)
Reintegrated loss from impairment	(183)	(1)
Balance at the end of the year	5,941	860

When determining the recoverability of the receivables the Group considers the changes in the credit risk of the trade and other receivables as of the date of origination until the end of the reporting period.

Receivables which are overdue for less than 1 year are not considered impaired, because of the nature of the operating cycle of the Group. Trade and other receivables include receivables, which are overdue for more than 1 year, but management considers that they are recoverable, because the customers' credit standing has not been deteriorated. Receivables from customers, which are overdue but not impaired, are as follows:

	As of 31.12.2011	As of 31.12.2010
1 - 1.5 years	2,332	5,277
1.5 – 2 years	386	1,099
Over 2 years	1,621	1,685
Total	4,339	8,061

Receivables from customers, which are overdue but not impaired, are not secured and the Group has no legal right to offset these receivables with its own receivables to respective counterparties.

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13. Trade and other receivables (continued)

The ageing analysis of the impaired receivables from customers as of December 31, 2011 and 2010 is as follows:

	As of 31.12.2011	As of 31.12.2010
Below 1 year	2,065	932
1 - 1.5 years	3,843	78
1.5 – 2 years	318	72
Over 2 years	2,979	607
Total	<u>9,205</u>	<u>1,689</u>

14. Cash and cash equivalents

	As of 31.12.2011	As of 31.12.2010
Cash at banks	10,272	5,119
Restricted cash at bank	577	1,153
Cash in hand	889	356
TOTAL CASH IN HAND AND AT BANKS	<u>11,738</u>	<u>6,628</u>

As of December 31, 2011 restricted cash represents cash in bank account restricted as a collateral under issued bank guarantees (see also note 34).

As of December 31, 2010 restricted cash at the amount of BGN 1,055 thousand represents cash in bank account restricted as a collateral under loan contract of the subsidiary EESF REIT for the loan period which expires on October 6, 2011.

For the consolidated cash flow statement purposes restricted cash is not included in cash and cash equivalents.

15. Issued share capital and reserves

Issued share capital includes:

	As of 31.12.2011	As of 31.12.2010
Ordinary shares – note 15.1	11,934	11,934
Preferred shares – note 15.2	1,103	1,103
Premiums from share issuance – note 15.3	36,262	36,262
TOTAL ISSUED SHARE CAPITAL	<u>49,299</u>	<u>49,299</u>

15.1. Ordinary shares

	As of 31.12.2011	As of 31.12.2010
Number of shares	11,933,600	11,933,600
Nominal value per share in BGN	1	1
SHARE CAPITAL – ORDINARY SHARES	<u>11,934</u>	<u>11,934</u>

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15. Issued share capital and reserves (continued)

15.1. Ordinary shares

As of December 31, 2011 and 2010 ownership of ordinary shares is as follows:

	As of 31.12.2011	%	As of 31.12.2010	%
Dichko Prokopiev Prokopiev	7,176,153	60.13	7,176,153	60.13
Other shareholders	4,757,447	39.87	4,757,447	39.87
TOTAL ORDINARY SHARES	11,933,600	100.00	11,933,600	100.00

The share capital of ordinary shares is fully paid in as of December 31, 2011 and 2010. Group's share capital includes in-kind contribution in the form of titles of property over three combined trademarks, with fair value to the amount of BGN 1,400 thousand obtained through independent appraiser's report. Titles of property are presented as intangible assets (see note 6 above).

Enemona AD is registered as a public company and its shares are traded on the Bulgarian Stock Exchange.

15.2. Preferred shares

On April 2, 2010 the Financial Supervision Commission registered for trading on a regulated market the issuance of the Parent-company's preferred shares. The issue is realized in the amount of BGN 1,103 thousand, divided into 1,102,901 preferred shares without voting rights with a guaranteed dividend, guaranteed liquidation share portion, convertible into ordinary shares in March 2017 with a nominal value of BGN 1 each. The preferred shares carry out a guaranteed cumulative dividend of BGN 0.992 per share over the next 7 years.

Upon initial recognition the Parent-company has accounted for the issued preference shares as compound financial instrument and has recognized a financial liability in respect to the obligation for dividends' payment, and the residual value is recorded as an increase in equity. The total value of funds received is distributed as follows:

	Upon initial recognition	As of 31.12.2011
Preferred shares – par value	1,103	1,103
Premiums from share issuance	5,425	5,425
Financial liability on preferred shares	4,412	3,747
Dividend payables on preferred shares	-	972
TOTAL CASH RECEIVED	10,940	

15.3. Premiums from share issuance

	As of 31.12.2011	As of 31.12.2010
Balance as of January 1	36,262	30,837
Premiums from preferred shares issuance	-	5,425
Balance as of December 31	36,262	36,262

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15. Issued share capital and reserves (continued)

15.4. Reserves

Group's reserves represent legal reserves and are formed based on decision of the shareholders. Legal reserves could be used to cover accumulated losses or for capital increase.

In 2009 the Parent company issued 5,966,800 warrants with issue value BGN 0.17 each and total issue value BGN 1,014 thousand. This amount, net of issuance expenses, is presented as increase of legal reserves of the Group.

Each warrant of the issuance gives the right to its owner to subscribe a share in case of future capital increase of the Parent company against payment of issue value of the new shares at the amount of BGN 18.50 each. This right can be exercised within 6 years.

15.5. Dividends

With decision of the General Meeting from June 30, 2011 the Parent company has distributed dividend on preferred shares at total amount of BGN 881 thousand, which presents BGN 0.799111 per share. September 1, 2011 is the date at which the shareholders are eligible for dividend.

16. Loans

Loans, received by the Group as of December 31, 2011 and 2010 are as follows:

	As of 31.12.2011	As of 31.12.2010
Debenture loans	-	5,886
Borrowings from financial institutions	74,190	81,931
Borrowings from non related parties	10,557	3,835
TOTAL	84,747	91,652

16.1 Debenture loans

Issued debenture loans as of December 31, 2011 and 2010 are as follows:

ISIN Code	Issued debt securities	Maturity	As of 31.12.2011	As of 31.12.2010
BG2100021067	Non secured bonds with floating interest rate, in EUR	2011	-	2,934
BG2100041065	Bonds with fixed interest rate in EUR, secured by a pledge of receivables	2011	-	2,952
TOTAL DEBENTURE LOANS			-	15,201

As of December 31, 2010 all issued bonds are non convertible and are listed on the Bulgarian Stock Exchange. Main parameters of issued debenture loans are as follows:

ISIN Code	Par Value	Interest rate	Interest payment
BG2100021067	EUR 6,000 thousand	6-month EURIBOR + 4.75%	6-month
BG2100041065	EUR 3,000 thousand	7.625%	6-month

Principal payment on the debenture loan BG2100021067 is at 4 equal instalments at the amount of EUR 1,500 thousand each on December 29, 2009, June 29, 2010, December 29, 2010 and June 29, 2011. Principal payment on the debenture loan BG2100041065 is at 4 equal instalments at the amount of EUR 750 thousand each on May 27, 2010, November 27, 2010, May 27, 2011, November 27, 2011. As of December 31, 2011 the Group has no obligations under debenture loans.

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16. Loans (continued)

16.2 Borrowings from financial institutions

Borrowings from financial institutions, received by the Group as of December 31, 2011 and 2010 are as follows:

		As of 31.12.2011	As of 31.12.2010
Credit lines – SG Expressbank	(a)	17,855	13,563
Investment loans – DSK Bank	(b)	14,930	11,957
Credit lines – UniCredit Bulbank	(c)	14,501	14,137
Investment loans – UniCredit Bulbank	(d)	6,568	8,299
Overdraft – UniCredit Bulbank	(e)	1,467	4,684
Investment loans – UBB	(f)	-	1,708
Overdraft UBB	(g)	4,596	6,219
Credit line – City Bank branch Sofia	(h)	-	4,890
Credit line – Tokuda Bank	(i)	-	100
Credit line – ING Bank	(j)	454	496
Credit line – MKB Union Bank	(k)	1,000	-
Investment loans – Bulgarian Energy Efficiency Fund	(l)	38	192
Investment loans – EIBank	(m)	12	-
Overdraft – FIB	(n)	1,997	-
Overdraft- Investbank	(o)	1,696	-
Overdraft – Allianz Bank Bulgaria	(p)	726	-
Investment loan - European Bank for Reconstruction and Development (EBRD)	(q)	-	-
Other	(r)	8,350	11,892
TOTAL LOANS FROM FINANCIAL INSTITUTIONS		<u>74,190</u>	<u>81,931</u>

The main parameters of borrowings from financial institutions are as follows:

(a) In May 2010 a revolving credit line from Societe Generale Expressbank has granted at the amount of EUR 15,325 thousand for the purpose of financing of a project for wiring and installation of control-measurement instrumentation and automation in the third and fourth blocks of NPP - Mochovce, Slovak Republic. The loan is secured with a pledge on receivables from contract for execution, pledge of materials and equipment. As of December 31, 2011 funds utilized amount to BGN 13,691 thousand. The credit line matures on November 30, 2012.

In July 2011 the Group has signed a contract with SG Expressbank for a credit line, limited to EUR 5,000 thousand. As of December 31, 2011 BGN 4,164 thousand have been utilized. The credit line maturity is on July 31, 2012.

(b) The loan from DSK Bank is granted for the purpose of financing of Group's energy efficiency projects. The limit of the loan is EUR 7,750 thousand and as of December 31, 2011 the Group has utilized 14,930 thousand (2010: BGN 11,957 thousand). In order to secure the loan from DSK Bank Enemona AD has issued promissory note, pledge of future receivables from customers on financed projects, financial risk insurance. The loan contract matures in 2014.

(c) As of December 31, 2011 the Group has utilized BGN 14,501 thousand under five credit lines agreed with UniCredit Bulbank (2010: BGN 14,137 thousand). The limit under the credit lines totals at EUR 16,312 thousand. The Group has pledged as a collateral mortgage on land and buildings and present and future receivables from a customer. The credit lines mature on October 2011, 2012, 2015 and 2017.

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16. Loans (continued)**16.2 Borrowings from financial institutions (continued)**

(d) The Investment loan from Unicredit Bulbank is granted for the purpose of financing the construction and operation of virtual gas line and matures in October 2016, and as of December 31, 2011 amounts to BGN 3,126 thousand. In order to secure the loan the Group has established a mortgage of land and natural gas compensation and decompensation stations built on it, pledge of equipment, and pledge of present and future receivables on the project, pledge of cash. An investment loan was granted for the purchase of an office building in Sofia. Utilized amount as of December 31, 2011 amounts to BGN 3,442 thousand. The loan is secured by a mortgage on the building and its land.

(e) Overdraft loan from UniCredit Bulbank is granted with the limit of BGN 1,000 thousand and maturity at October 31, 2012. The Loan has been granted for working capital purpose and is secured by pledge of future receivables, cash and production equipment. As of December 31, 2011 BGN 1,467 thousand has been utilized.

(f) Investment loans from UBB have been granted for a purchase of land plots and production equipment. As of December 31, 2010 BGN 1,708 thousand has been utilized. The loans have been secured by a mortgage of properties of the Group and mature in 2011. As of 31 December 2011 the loans have been fully repaid.

(g) The overdraft loan from UBB has the limit of EUR 3,500 thousand and is granted for the purpose of working capital and bank guarantees and as of December 31, 2011 the total amount utilized is BGN 4,596 thousand. The loan matures on January 20, 2012. In order to secure the loan the Group has established a mortgage of lands and buildings owned by Enemona AD and pledge over assets.

(h) According to a credit line agreement with Citibank branch - Sofia as of December 31, 2010 the Group has utilized amounts of BGN 4,890 thousand. Credit line limit is EUR 9,429 thousand. The credit line matures on September 30, 2011. As of 31 December 2011 the credit line is fully repaid.

(i) In 2010 the Group has received credit line from Tokuda bank with limit of BGN 100 thousand. As of December 31, 2010 total principal has been utilized. The Group has pledged as collateral future receivables. The credit line mature on March 2011 and as 31 December 2011 has been fully paid.

(j) In 2010, the Group has received a combined limit for contingent liabilities from ING Bank at the amount of BGN 14,800 thousand, of which has been utilized BGN 454 thousand (2010: BGN 496 thousand) in the form of overdraft as of December 31, 2011. The Group has pledged as collateral present and future receivables from customers, mortgage on property belonging to the Group and has been issued a promissory note in favour of the Bank. The revolving credit agreement matures in August 2012.

(k) The Group has received three credit lines from Unionbank. The first credit line has the contractual amount of BGN 300 thousand and maturity on October 6, 2011 and is fully repaid as of December 31, 2011. The second credit line has the contractual amount of BGN 500 thousand, fully utilized as of December 31, 2011. The maturity of the second credit line is on January 31, 2012. Credit lines are secured with a pledge on receivables. The third credit line has the contractual amount of BGN 500 thousand and maturity at 31 January 2012. As of 31 December 2011 the credit line is fully utilized. As of the date of preparation of these consolidated financial statements the credit line is fully repaid.

16. Loans (continued)

16.2 Borrowings from financial institutions (continued)

(l) The Group has received investment loans from Bulgarian Energy Efficiency Fund for the purpose of financing of projects related to energy efficiency. As of December 31, 2011 the utilized amount is BGN 38 thousand (2010: BGN 192 thousand). The loans are secured with financial risk insurance and promissory note in favour of the Bank.

(m) As of June 2, 2011 the Group has received an overdraft from First Investment Bank Vratsa Branch at the amount of BGN 2,000 thousand and maturity term on April 30, 2012. As of December 31, 2011 BGN 1,997 thousand has been utilized by the Group.

(n) The Group has signed a loan with Investbank for the amount of BGN 2,000 thousand and maturity on May 26, 2012. As of December 31, 2011 BGN 1,696 thousand has been utilized. The loan is secured with a pledge on receivables.

(o) The Group has signed a loan with Alianz Bank Bulgaria for the amount of BGN 1,000 thousand and maturity on September 24, 2012. As of December 31, 2011 BGN 726 thousand has been utilized. The loan is secured with a pledge on receivables and equipment.

(p) Under a loan contract dated December 21, 2007 with the European Bank for Reconstruction and Development (EBRD) at total amount of EUR 7 million in 2010 and 2009 the Group received funds at the amount of EUR 2,335 thousand and EUR 3,000 thousand, respectively for the purpose of financing of completed projects for energy efficiency with guaranteed result (ESCO contracts). In 2011 applicable annual interest rate on the loan is as follows: for the first tranche – 6.45%, for the second tranche – 6.5%. In 2011 and 2010 interest payments have been made under contract at the amount of BGN 642 thousand and BGN 684 thousand, respectively. Principal of the loan will be repaid in equal quarterly installments (23 installments for the first tranche and 21 installments for the second tranche). The loan matures on March 4, 2015. In 2011 and 2010 part of the principal has been repaid at the amount of EUR 1,312 thousand and EUR 1,161 thousand, respectively.

Interest rates on bank loans are floating based on EURIBOR and SOFIBOR with a margin.

16.3 Debenture loans and bank loans covenants

According to the terms of the loans, the Group should comply with certain operational and financial covenants.

As of December 31, 2011 the Group met all covenants of a bank loan from EBRD with carrying amount of BGN 8,350 thousand.

As of December 31, 2011 the Group breached the financial requirement of a bank loan from EBRD with carrying amount of BGN 11,892. Under contract terms, the breach of the requirement on the loan may lead to modification of the loan as payable on demand by a creditor or to a single early demand of the total obligation, and this possibility has been foreseen to be expressed in writing by the EBRD. The loan is presented as a current liability in the consolidated financial statements as of December 31, 2010.

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16. Loans (continued)

16.3 Debenture loans and bank loans covenants (continued)

Ratio of overdue receivables

According to the terms of the loan contract with EBRD the Group maximum ratio of overdue receivables under ESCO contracts for over than 60 days to the total amount of the receivables, purchased with funds from the loan should not exceed 5%. In case of delay of payment of one or more monthly instalments the total receivable from the respective borrower is disclosed as overdue.

As of December 31, 2011 there are no receivables under ESCO contracts overdue. As of December 31, 2010 the ratio has been 15.54%, which is a breach of the requirement under the contract.

The Group has signed warrant contracts for part of its liabilities at the amounts of BGN 4,618 thousand and BGN 3,722 thousand as of 31 December 2011 and 31 December 2010, respectively. Under the terms of warrant contracts, the counterparty is constituted as co-debtor with the respective customer for part of its obligation. During 2011 and 2010 the warrantors have paid overdue installments from these customers at the amount of BGN 276 thousand and BGN 238 thousand. The Group does not have payments overdue from ESCO contracts under the loan agreement with EBRD. In addition, the fair value of receivables determined by independent appraiser for which warrant contracts are concluded is lower by BGN 39 thousand than their carrying amount.

Ratio of cash flow for debt service

Under the terms of the contract with EBRD, the Group should maintain a ratio between cash flows available for serving the obligations and the amount of next payment of the principal and interest on the loan due at minimum of 1.1. As of December 31, 2011 the ratio is 1.88. As of 31 December 2010 the ratio has been 0.84, which represents a breach of the requirements under the loan.

16.4 Loans from non-related parties

Loans from non-related parties as of December 31, 2011 comprise non-secured loans from Energomontaj AEK AD, Enemona Start AD, Enida Engineering AD, Izolko OOD and other counterparties at the amount of BGN 688 thousand, BGN 879 thousand, BGN 849 thousand, BGN 8,050 thousand and BGN 91 thousand, respectively. The loans are with interest rates between 8% and 9% and mature in 2012 as the repayment term may be prolonged with 1 month.

Loans from non-related parties as of December 31, 2010 comprise non-secured loans from Energomontaj AEK AD, Enemona Start AD, Enida Engineering AD, Izolko OOD and other counterparties at the amount of BGN 1,768 thousand, BGN 950 thousand, BGN 384 thousand, BGN 682 thousand and BGN 51 thousand, respectively. The loans are with interest rates between 8% and 9% and mature in 2011 as the repayment term may be prolonged with 1 month.

16.5 Loan repayment term

The loans received by the Group according to their contracted repayment term are as follows

	As of 31.12.2011	As of 31.12.2010
Up to one year	71,114	71,230
Over 1 year	13,633	20,422
TOTAL LOANS	84,747	91,652

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17. Finance lease

Part of the tangible fixed assets has been leased under finance lease contract. The average term of the contracts is three years. The average effective interest rate under the finance lease contracts is 7%. The fair value of the lease liabilities of the Group approximates their carrying amount.

	Minimal lease payments		Present value of minimal lease payments	
	As of 31.12.2011	As of 31.12.2010	As of 31.12.2011	As of 31.12.2010
Liabilities under finance lease with maturity:				
Up to 1 year	1,111	2,083	1,011	1,856
Between 2 and 5 years	1,455	3,710	1,400	3,517
TOTAL LIABILITIES	2,566	5,793	2,411	5,373
Less: future finance charges	(155)	(420)	-	-
PRESENT AMOUNT OF LIABILITIES	2,411	5,373	2,411	5,373

The carrying amount of assets (property, plant and equipment) acquired through finance lease as of December 31, 2011 and 2010 is BGN 4,871 thousand and BGN 8,177 thousand, respectively.

18. Long-term employee benefits

In accordance with the Bulgarian Labor Code, upon termination of labor contracts, when the employee is entitled to retirement benefits, the Group owes severance payments of 2 gross monthly salaries. In case the employee has worked for more than 10 years with the Group, the severance payment is 6 gross monthly salaries. As of December 31, 2011 and 2010 the Group has accrued BGN 108 thousand and BGN 163 thousand, respectively, for provision of long-term employee benefits as the provision is calculated by a licensed actuary.

The basic assumptions, used by the licensed actuary for calculation of the present value of liabilities are based on:

- Demographic assumptions
- Mortality chart
- Invalidization chart
- Retirement probability
- Financial assumptions
- Salary growth
- Discount rate – due to the long-term nature of the liability, a 6% discount rate has been applied.

19. Trade and other payables

	As of 31.12.2011	As of 31.12.2010
Payables to suppliers	28,871	22,154
Payables for dividends on preferred shares	972	881
Payables to employees	945	1,395
Payables to social insurance organizations	356	433
VAT payables	1,182	502
Other payables	3,297	1,645
TOTAL	35,623	27,010

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20. Provisions

Provisions represent accruals for unused paid leave at the amount of BGN 378 thousand and BGN 408 thousand as of December 31, 2011 and 2010, respectively.

21. Revenue

	Year ended 31.12.2011	Year ended 31.12.2010
Revenue from construction contracts	85,149	98,446
Revenue from sale of electricity	87,781	72,244
Revenue from sale of compressed natural gas	2,949	2,525
Revenue from services	372	1,624
Others	4	
TOTAL REVENUE	176,255	174,839

The following table discloses information on construction contracts in progress at the date of the statement of financial position:

	As of 31.12.2011	As of 31.12.2010
Construction costs incurred plus recognized profits (less recognized losses) to date	231,655	202,714
Less: Progress billings	(214,292)	(168,701)
	<u>17,363</u>	<u>34,013</u>
Gross amounts stated in the statement of financial position comprise:		
Gross amount receivable from customers under construction contracts	22,567	39,928
Gross amount payable to customers under construction contracts	(5,204)	(5,915)
	<u>17,363</u>	<u>34,013</u>

Retentions held by customers under construction contracts amount to BGN 5,979 thousand and BGN 5,192 thousand as of December 31, 2011 and 2010, respectively. Advances received from customers under construction contracts amount to BGN 16,400 thousand and BGN 23,713 thousand as of December 31, 2011 and 2010, respectively.

As of December 31, 2011 the Group reviewed for objective evidences for impairment of the gross amount due from clients under construction contracts in order to ensure that the carrying amount of the asset does not exceed the present value of the expected future cash flows.

During 2011 the Group impaired gross amount due from clients under construction contracts at the amount of BGN 22,693 thousand (see note 27.1). This amount consists mainly of impairment loss on a construction contract related to projects for renewable energy resources. Due to the significant changes related to the legal framework of RER (Renewable Energy Resources) during 2011, which the Management considers as short term events, the uncertainty related to the recoverability of the investments in equipment for generation of electricity from renewable energy resources significantly increased. Recoverability of the receivables from clients related to RER depends on the legal environment regulations. Despite the collaterals and payments received from the clients, due to the described risks above, the Group recognized impairment on the project at the amount of BGN 21,806 thousand.

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22. Financial income

	Year ended 31.12.2011	Year ended 31.12.2010
Interest income	3,827	3,757
Dividend income	126	136
Foreign exchange gains	27	29
Other finance income	349	7
TOTAL FINANCIAL INCOME	4,329	3,929

23. Materials and consumables used and cost of goods sold

	Year ended 31.12.2011	Year ended 31.12.2010
Cost of goods sold	85,408	70,700
Materials:		
Construction materials	36,433	27,961
Expenses for instruments	372	420
Electric power	238	221
Fuels	478	537
Spare parts	72	111
Stationery	79	85
Other	43	61
TOTAL MATERIALS	37,715	29,396

The cost of goods sold amounting to BGN 85,408 thousand and BGN 70,700 thousand, for the year ended on December 31, 2011 and 2010, respectively, is the cost of electricity sold by the Group to third parties.

24. Hired services

	Year ended 31.12.2011	Year ended 31.12.2010
Under construction agreements with subcontractors	12,196	18,641
Services with mechanization	1,373	715
Transportation	1,250	1,294
Legal and consulting services	2,240	4,680
Insurances	1,482	435
Advertising services	81	66
Telecommunications	189	274
Rents	501	1,159
Charges for mortgages and guarantees	1,444	-
Design services	349	2,026
Bank fees	388	1,632
Heating	94	-
Working permissions and tender documents	14	-
Other services	2,568	3,257
TOTAL HIRED SERVICES	24,169	34,179

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24. Hired services (continued)

Expenses for other hired services in 2011 and 2010 are shown in the table below:

	Year ended 31.12.2011	Year ended 31.12.2010
Production control and construction supervision	407	961
Rent and consumables for the equipment and machinery	174	-
Security	138	155
Training	71	83
Office consumables	95	202
Tax and accounting services and audit	220	401
Translation services	118	-
Commissions	17	-
Subscription and membership fees	345	205
Vehicle maintenance and parking	180	329
Medical services	47	84
Current repair works	37	195
Notary and municipal fees	4	95
Other	715	547
TOTAL EXPENSES FOR OTHER HIRED SERVICES	2,568	3,257

25. Employee benefit expenses

	Year ended 31.12.2011	Year ended 31.12.2010
Remunerations	23,928	26,743
Social security and health insurance	3,473	3,663
Compensations	958	-
TOTAL EMPLOYEE BENEFITS EXPENSES	28,359	30,406

26. Other expenses

	Year ended 31.12.2010	Year ended 31.12.2009
Business trips	2,443	967
Food vouchers	671	915
Expenses for one-off taxes and fees	477	399
Waste on non-current assets	57	23
Other	601	337
TOTAL OTHER EXPENSES	4,249	2,641

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27. Other gains, net

	Year ended 31.12.2011	Year ended 31.12.2010
Proceedings from sale of non-current assets	620	394
Carrying amount of sold and written-off non-current assets	(495)	(455)
Gains on sale of non-current assets	125	(61)
Proceedings from sale of materials	1,228	3,490
Carrying amount of materials sold	(1,077)	(3,453)
Gains on sale of materials	151	37
Profit from revaluation of shares for trading (note 27.2)	42,117	-
Rent income	413	439
Gains on financing	111	269
Payables written-off	-	118
Income from consulting services	67	19
Impairment and write-off of assets (note 27.1)	(35,421)	(292)
Loss from sale of receivables	(1,391)	-
Other	515	170
TOTAL OTHER GAINS, NET	6,687	699

For the year ended December 31, 2010 the Group reclassified impairment of receivables at the amount of BGN 292 thousand from other expenses to other gains, net.

27.1. Impairment and writing off of assets

Complying with the requirements of IAS 39, the Group developed qualitative and quantitative indicators for the valuation of the risks related to its exposures to clients and for determination the amount of impairment for accounting purposes on an individual basis.

Qualitative and quantitative indicators for valuation of risks include overdue payments, credit rating, deterioration of the market positions of the client and change of the legal environment in which the Group operates.

Each exposition is separately valued and if the risks described above are identified, an impairment loss is recognized. Determining the amount of impairment includes consideration of the expected future cash flows under the identified circumstances.

As of December 31, 2011 the Group analyzed total contract revenue and total estimated costs for construction contracts which are not completed as of the end of the reporting period and recognized impairment losses in the statement of comprehensive income for those construction contracts for which the total estimated profit is lower than the profit already recognized in prior reporting periods.

As of December 31, 2011 the Group reviewed for objective evidences for impairment of the current and non-current loans and receivables and investments in subsidiaries and recognized impairment losses at the amount with which the carrying amounts of the assets exceed their recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use.

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27. Other gains, net (continued)

27.1. Impairment and writing off of assets (continued)

		As of 31.12.2011	As of 31.12.2010
Impairment of gross amount due from clients under construction contracts – note 21	(a)	(22,693)	-
Impairment of receivables – note 13	(c)	(5,308)	(292)
Impairment of current loans and receivables – note 9	(c)	(4,953)	-
Impairment of goodwill	(b)	(1,300)	-
Impairment of non-current loans and receivables – note 9	(d)	(973)	-
Impairment of inventory – note 12		(88)	-
Impairment of property, plant and equipment – note 4		(179)	-
Impairment of investment property		(16)	-
Impairment of investments		(2)	-
Reversal of impairment of inventory – note 12		47	-
Reversal of impairment of receivables – note 9		44	-
		<u>(35,421)</u>	<u>292</u>

(a) The impairment of the gross amounts due from clients under construction contracts consists mainly of impairment loss of a construction contract related to projects for renewable energy resources. Due to the significant changes related to the legal framework of RER (Renewable Energy Resources) during 2011, which the Management considers as short term events, the uncertainty related to the recoverability of the investments in equipment for generation of electricity from renewable energy resources significantly increased. Recoverability of the receivables from clients related to RER depends on the legal environment regulations. Despite the collaterals and payments received from the clients, due to the described risks above, the Group has recognized impairment loss.

(b) During 2011 the Company performed an impairment testing of the goodwill, recognized at the acquisition of investment in EMKO AD. The analysis is performed based on the expected discounted future cash flows of the subsidiary for 5 years. As a result of the analysis, the Group recognized impairment loss at the amount of BGN 1,300 thousand.

(c) As a result of the global financial crisis the uncertainty regarding the recoverability of the receivables due from the clients according to the initially contracted terms increases. Therefore, the Group changed its accounting estimates when determining the impairment of trade and other receivables and loans and receivables. Some of the changes in the estimates are related to the following: report for the credit rating of the clients from a reputable agency, analysis of the financial performance of the clients and others. As a result, during 2011 the Group recognized additional impairment as indicated in the table above. Nevertheless, the Management continues the efforts for collection of the receivables.

(d) In the past the Group has granted loans without collaterals to its employees related to the necessity to relocate, due to the relocation of the business between Sofia, Kozloduy and Galabovo. From 2010 the amount of loans granted decreased. By the end of 2011 due to the restructuring of the Group and centralization of the supervisors and administration personnel in Sofia, the maturity of some of the loans granted is prolonged with the other terms not changed. As a result, additional impairment was recognized for these loans granted.

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27. Other gains, net (continued)

27.2. Profit from revaluation of shares for trading

On December 27, 2011 Enemona AD signed a Memorandum of understanding with a public company registered on the Bulgarian Stock Exchange (the Counter party) for cooperation related to exchange of information and experience in the development of projects of renewable energy resources. As a result of the Memorandum, Enemona AD receives 15,000,000 ordinary shares, issued by the Counter party, from the biggest Counter party's shareholder. The shares are transferred to Enemona AD on December 28, 2011 outside the regulated market. According to the agreement for the transfer of 15,000,00 ordinary shares, Enemona AD has the right to pay for the shares an amount equal to their par value in three-years-period from their acquisition or to transfer their ownership back after the expiration of that period. Enemona AD discounts its liability regarding the purchase price and recognizes liability on financial assets held for trading in the statement of financial position at the amount of BGN 11,583 thousand.

The Company classifies the acquired shares of the Counter party as financial assets held for trading. In 2011 the Company recognizes profit from revaluation of financial instrument at the amount of BGN 42,117 thousand, which is calculated as the difference between acquisition price and market value of the shares as determined by the active quotation of the Bulgarian Stock Exchange. The market price used for the revaluation is the price of the last transaction on the regulated market of the Bulgarian Stock Exchange. As of December 31, 2011 the Company recognizes financial asset held for trading in the statement of financial position at the amount of BGN 53,700 thousand.

28. Finance costs

	Year ended 31.12.2011	Year ended 31.12.2010
Interest expense	4,772	4,652
Finance costs on construction contracts	1,207	338
Expenses on financial liability on preferred shares	639	670
Foreign exchange losses	74	72
Other finance cost	301	191
TOTAL FINANCE COST	6,993	5,923

29. Discontinued operations

On March 31, 2011 Enemona AD signed a sale agreement with Sofia France Auto AD for 10,497,999 ordinary registered shares being 99.98% of the share capital of the subsidiary Agro Invest Engineering AD. The purchase price is at the amount of BGN 18,421,758. The transaction includes also a package of 49.96% of the shares of Lomsko pivo AD.

On June 28, 2011 the Parent Company signed contracts for sale of 90% of the share capital of Neo Agro Tech AD for the amount of BGN 45 thousand and for sale of 80% of the share capital of Solar Energy OOD for BGN 4 thousand.

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29. Discontinued operations (continued)

The combined results from discontinued operations for the periods ending December 31, 2011 and 2010 are presented below:

	Year ended 31.12.2011	Year ended 31.12.2010
Revenue	1,808	10,890
Finance income	7	33
Changes in inventories in finished goods and work in progress	275	(788)
Expenses	(2,852)	(8,586)
Profit/(loss) before tax	(762)	1,549
Attributable income tax expense	-	10
Loss on disposal of operations	(4,560)	-
Profit/(loss) from discontinued operations	<u>(5,322)</u>	<u>1,559</u>

Cash flows from discontinued operations for the periods ending December 31, 2011 and 2010 are presented below:

	Year ended 31.12.2011	Year ended 31.12.2010
Cash inflows from operating activities	275	1,702
Cash outflows from investing activities	(192)	(733)
Cash outflows from financing activities	(294)	(2,008)
Net cash outflows	<u>(211)</u>	<u>(1,039)</u>

The loss recognized from the sale of investments in subsidiaries is as follows:

	Year ended 31.12.2011
Consideration	18,471
Direct expenses	(180)
Net value of the assets sold	(26,861)
Non controlling interests written off	4,010
Loss from the sale of investments in subsidiaries	<u>(4,560)</u>

Net cash inflow on disposal of subsidiaries reported in the consolidated statement of cash flows consists of the following:

	Year ended 31.12.2011
Proceeds from sale of subsidiaries	10,471
Decreased by: Cash and cash equivalents of the disposed subsidiaries	(133)
Net inflows from the sale of investments in subsidiaries	<u>10,338</u>

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30. Taxation

Deferred taxes are as follows:

	As of 31.12.2011	As of 31.12.2010
Deferred tax assets		
Impairment of receivables	3,373	67
Impairment of investments	245	-
Provisions	137	68
Non-current assets	(1,198)	(2,009)
	<u>2,557</u>	<u>(1,874)</u>
TOTAL DEFERRED TAX ASSETS	<u>2,626</u>	<u>-</u>
TOTAL DEFERRED TAX LIABILITIES	<u>69</u>	<u>1,874</u>

Deferred tax assets and liabilities as of December 31, 2011 and 2010 are calculated by applying tax rate of 10% according to the Corporate Income Taxation Act and applicable for the periods in which the temporary differences will be realized.

Income tax expenses for the year ended December 31, 2011 and 2010 are as follows:

	Year ended 31.12.2011	Year ended 31.12.2010
Current income tax expense	(1,064)	(354)
Deferred tax in relation to occurrence and reversal of temporary differences	3,486	(45)
TOTAL TAX INCOME/(EXPENSE)	<u>2,422</u>	<u>(399)</u>

The calculations for the effective interest rate are presented in the following table:

	Year ended 31.12.2011	Year ended 31.12.2010
Profit before taxation	(2,503)	3,287
Applicable tax rate	10%	10%
Tax by applicable tax rate	(250)	329
Tax effect of the non-deductable and non-taxable positions	(2,389)	(36)
Effect of different tax rates in other tax jurisdictions	217	106
TAX (INCOME)/EXPENSE	<u>(2,422)</u>	<u>399</u>
EFFECTIVE TAX RATE	<u>(97%)</u>	<u>12%</u>

31. Earning per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the shareholders of the Parent Company to the weighted-average number of ordinary shares outstanding for the period.

	As of 31.12.2011	As of 31.12.2010
Continuing and discontinued operations		
Share of net profit for Parent Company shareholders from continuing and discontinued operations	(4,973,000)	4,662,000
Weighted-average number of ordinary shares	<u>11,933,600</u>	<u>11,933,600</u>
Earnings per share (in BGN) – basic and diluted	<u>(0.41)</u>	<u>0.39</u>

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31. Earning per share (continued)

	As of 31.12.2011	As of 31.12.2010
Continuing operations	<u>31.12.2011</u>	<u>31.12.2010</u>
Share of net profit for Parent Company shareholders from continuing and discontinued operations	(4,973,000)	4,662,000
Profit (loss) from discontinued operations	5,322,000	(1,559,000)
Share of net profit for Parent Company shareholders from continuing operations	349,000	3,103,000
Weighted-average number of ordinary shares	11,933,600	11,933,600
Earnings per share (in BGN) – basic and diluted	<u>0.03</u>	<u>0.26</u>

The diluted earnings per share are equal to the basic earnings per share because the Group has no antidilutive securities.

As disclosed in Note 15, as of December 31, 2011 and 2010 the Parent company has issued warrants and preferred shares, which in 2011 and 2010 do not influence diluted earnings per share as their conversion to ordinary shares would not have dilutive effect on basic earnings per share.

32. Related parties transactions

The related parties within the Group with transactions performed in 2011 and 2010 are as follows:

RELATED PARTY	TYPE OF RELATIONSHIP
Alfa Enemona OOD	Associated company
Global Capital OOD	Company under common control
G Oil Expert EOOD	Company under common control
Eco Invest Holding AD	Company under common control
Resource Engineering EOOD	Company under common control
Softgeo-Lint 2006 OOD	Company under common control

The table below discloses income received from related parties:

	Year ended 31.12.2011	Year ended 31.12.2010
Alfa Enemona OOD	152	136
G Oil Expert EOOD	3	3
TOTAL INCOME FROM RELATED PARTIES	<u>155</u>	<u>139</u>

Income from related parties consists mainly of dividend income.

During 2011 and 2010 the Group has no expenses on related parties transactions.

The table below discloses the balances of receivables from related parties as of December 31, 2011 and 2010:

	As of 31.12.2011	As of 31.12.2010
Global Capital OOD	-	11
Eco Invest Holding AD	-	2
G Oil Expert EOOD	1	-
TOTAL	<u>1</u>	<u>13</u>

Receivables from related parties consist of trade receivables (note 13).

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32. Related parties transactions (continued)

The table below discloses the balances of liabilities to related parties as of December 31, 2011 and 2010:

	Year ended 31.12.2011	Year ended 31.12.2010
Alfa Enemona OOD	7	-
TOTAL	7	-

Liabilities to related parties consist of gross amount due to clients under construction contracts.

In 2011 and 2010 management personnel has been paid remuneration at the amount of BGN 2,548 thousand and BGN 3,035 thousand, respectively.

33. Financial instruments, financial risk and capital management

33.1 Categories of financial instruments

	As of 31.12.2010	As of 31.12.2009
Financial assets		
Financial assets at fair value	53,700	-
Loans and receivables	109,379	144,292
Investments available for sale	-	49
Cash and cash equivalents	11,738	6,628
Financial liabilities		
Financial liabilities at amortized cost	137,263	128,238

Financial assets at fair value include 15,000,000 ordinary shares of a listed company, traded at Bulgarian Stock Exchange (BSE). The Group acquired the portfolio on December 28, 2011 at Over the Counter market. The equity instruments are classified at initial recognition as held for trading. The reason for this classification is the purpose of the shares – trading for taking advantage of short term movements in the share price. As of December 31, 2011 the Group measured the portfolio at fair value, determined using active quote from observable market – Bulgarian Stock Exchange (BSE). The active quote is determined as the closing price of the last transaction with the instrument on the regulated BSE market. The shares are traded at BSE only.

Enemona AD has the right to pay for the shares an amount equal to their par value in three-years-period from their acquisition or to transfer their ownership back after the expiration of that period. The Group discounts its liability regarding the purchase price and recognizes liability on financial assets held for trading in the statement of financial position at the amount of BGN 11,583 thousand

Loans and receivables include loans granted by the Group including other current assets and other non-current assets as well as trade and other receivables and gross amounts due from customers on construction contracts.

Financial liabilities at amortized cost include loans received by the Group, lease liabilities as well as trade and other payables, liabilities for dividends on preferred shares and liabilities on investments held for trading.

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33. Financial instruments, financial risk and capital management

33.2 Fair value of financial instruments, measured at amortized cost

IFRS 7 "Financial instruments-disclosures" sets out the requirement regarding disclosures to the financial statements to contain information about the methods used to determine the fair value of financial assets and liabilities, which are not presented at fair value in the statement of financial position.

Information about the carrying amount and fair value of financial assets and liabilities is presented in the following table:

	Carrying amount		Fair value	
	As of 31.12.2011	As of 31.12.2010	As of 31.12.2011	As of 31.12.2010
Financial asset				
Loans and receivables	109,379	144,292	109,379	144,292
Available for sale investments	-	49	-	49
Cash and cash equivalents	11,738	6,628	11,738	6,628
Financial liabilities				
Financial liabilities at amortized cost	137,263	128,328	137,263	128,328

Management considers that the fair value of financial instruments approximates their carrying amount.

33.3 Fair value estimation of financial instruments, measured at fair value.

IFRS 7 sets out the requirement to disclose the valuation techniques used to determine the fair value of financial instruments, measured at fair value after initial recognition in the statement of financial position. IFRS 7 introduces hierarchy of methods used in fair value determination, based on the level of observation of the input data utilized in the fair value estimation. Observable data represents the market estimations of the Group. Both data – observable and unobservable set up the following three hierarchy levels of the fair values:

Level 1 – Fair value estimation, based directly on the active market quotes for identical assets or liabilities

Level 2 – Fair value estimation, based on the unobservable data, which differ from the values determined in Level 1, but are directly or indirectly based on them and in correlation with the asset or liability.

Level 3 – Fair value estimation using valuation technique, which inputs are not based on the market information (unobservable data).

The table below presents information for the financial instruments designated at fair value distributed in the levels from 1 to 3:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading	-	-	-	-
- Equity instruments	53,700	-	-	53,700
Total assets	53,700	-	-	53,700

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33. Financial instruments, financial risk and capital management (continued)

33.4 Management of risks related to financial instruments

Credit risk

The Group is exposed to credit risk in case the customers fail to meet their obligations.

Transactions with the main contractors of the Group are as follows:

Name	Type	Carrying amount of receivable as of 31.12.2011	Carrying amount of receivable as of 31.12.2010
Contractor 1	In the country	15,106	18,499
Contractor 2	Abroad	9,234	8,047
Contractor 3	In the country	7,727	10,077
Contractor 4	In the country	5,089	27,919
Contractor 5	In the country	4,561	-

Carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The trade and other receivables and the gross amount due from customers on construction contracts are not secured by collateral, with the exception of a receivable from Contractor 4 under a construction contract, as described in the paragraph below.

Receivables from Contractor 4 includes gross amount due from the contractor under a construction contract at the amount of BGN 441 thousand and BGN 20,836 thousand as of December 31, 2011 and 2010. The contract was signed in 2009 and is in a process as of December 31, 2011 and 2010. As of the date of these consolidated financial statements the parties are performing their respective obligations based on the contracted terms. To secure the collectability of the receivable in 2010 the Group negotiated and received payment under the contract at the amount of BGN 2,500 thousand. The Group also signed a contract with the majority shareholder of the client for conditional acquisition of 98% of the shares of the client for the total amount of BGN 1, provided that the client does not settle its liabilities to the Group under the construction contract.

Due to the significant changes related to the legal framework of RER (Renewable Energy Resources) during 2011, which the Management considers as short term events, the uncertainty related to the recoverability of the investments in equipment for generation of electricity from renewable energy resources significantly increased. Recoverability of the receivables from clients related to RER depends on the legal environment regulations. Despite the collaterals and payments received from the clients, due to the described risks above, the Group recognized impairment on the projects.

Liquidity risk

Liquidity risk is the risk that the Group may have difficulties in meeting its obligations related to settling financial liabilities, which require payment of cash, cash equivalents or other financial asset. Liquidity risk arises from the time difference between the agreed maturity of monetary assets and liabilities and the possibility that debtors may not be able to settle their obligations to the Group in terms due.

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33. Financial instruments, financial risk and capital management (continued)

33.4 Management of risks related to financial instruments (continued)

Liquidity risk (continued)

As of December 31, 2011 and 2010 the undiscounted cash flows on financial liabilities of the Group, analyzed by residual term as of the date of the consolidated statement of financial position until the date of subsequent negotiating or maturity, are as follows:

As of December 31, 2011	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 year to 5 years</u>	<u>Total</u>
<i>Financial liabilities</i>				
Trade and other payables	20,476	14,126	184	34,786
Loans	4,706	74,536	11,882	91,124
Finance lease liabilities	155	956	1,455	2,566
Liability on financial assets held for trading	-	-	6,792	6,792
Finance liability on preferred shares	-	-	15,000	15,000
Total financial liabilities	<u>25,337</u>	<u>89,618</u>	<u>35,313</u>	<u>150,268</u>

As of December 31, 2010	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>	<u>From 1 year to 5 years</u>	<u>Total</u>
<i>Financial liabilities</i>				
Trade and other payables	17,769	9,241	-	27,010
Loans	29,401	45,390	21,443	96,235
Finance lease liabilities	464	1,392	3,517	5,373
Finance liability on preferred shares	-	-	7,671	7,671
Total financial liabilities	<u>47,634</u>	<u>56,023</u>	<u>32,631</u>	<u>136,289</u>

Current loans of the Group include credit lines and overdraft with maturity in 2011. The Group usually renegotiates part of the credit lines and overdrafts.

The Group has obtained credit lines from Societe General Expressbank and Citibank Sofia Branch, which have been granted for the purpose of carrying out specific construction contracts (see also note 16). As of 31 December 2011 and 2010 the utilized amount under the credit line from Societe General Expressbank is BGN 17,855 thousand and 13,563 thousand respectively and the utilized amount under the credit line from Citibank Sofia Branch as of 31 December 2011 and 2010 is BGN 0 thousand and BGN 4,890 thousand respectively. The payment of these loans is dependent on fulfilling the obligations of the Group under the respective contract and the cash flows generated by the specific construction contract.

Foreign currency risk

As the Group operates in the country and in the EU it is exposed to insignificant foreign currency risk. A small percentage of income/expenses are generated in foreign currency different from the Bulgarian lev and Euro. Therefore, the management of the Group considers that the effect from possible change in exchange rates would not have significant effect on profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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All amounts are in thousand Bulgarian Levs, except otherwise stated

33. Financial instruments, financial risk and capital management (continued)

33.4 Management of risks related to financial instruments (continued)

Interest rate risk

The Group is exposed to interest rate risk fluctuation mainly from received bank and debenture loans with floating interest rate which are at the amount of BGN 50,228 thousand and BGN 57,790 thousand as of December 31, 2011 and 2010 and the interest payments are based on EURIBOR and SOFIBOR plus margin. As of December 31, 2011 and 2010 the Group has not used instruments for compensating the potential changes of the EURIBOR levels.

If the interest rates for these loans with floating interest rate increased by 0.5% in 2011 and 2010, the interest expense for the year would increase, and profit after taxation would decrease by BGN 251 thousand and BGN 289 thousand, respectively, and vice versa, if the interest rate decreases by 0.5%.

33.5 Capital management

The Group manages its own capital to operate as a going concern and optimize return by improving the debt/equity ratio.

The capital structure of the Group comprises cash at current accounts, loans received and equity including share capital.

The debt ratio as of December 31, 2011 and 2010 is as follows:

	As of 31.12.2011	As of 31.12.2010
Loans	84,747	91,652
Cash and cash equivalents	(11,738)	(6,628)
Loans, net of cash and cash equivalents	73,009	85,024
Equity	102,915	112,532
Debt ratio (loans, net of cash and cash equivalents to equity)	0.71	0.76

33. Contingent liabilities

As of December 31, 2011 and 2010 bank guarantees have been issued on behalf of the companies within the Group, at the amount of BGN 48,053 thousand and BGN 62,256 thousand, respectively, which relate mainly to the construction works, including energy and other facilities.

35. Segment reporting

Information regarding operating segments in these consolidated financial statements has been presented in a manner which is similar to the reports intended for the management of the Group, based on which decisions are taken for the resources, which should be allocated to the segment and on which assessments are made for its operating results.

The operating segments in the Group are as follows:

- Engineering, construction and assembly works (including energy-efficiency activities);
- Trade with electricity;
- Other segments, which include – trade in compressed natural gas, asset management and others.

The table below includes revenue, expenses and results of the Group from continuing operations:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

All amounts are in thousand Bulgarian Levs, except otherwise stated

35. Segment reporting (continued)

Income and expenses presented above include revenue from and expenses for outside clients and do not include sales between segments.

As of 31 December 2011 the expenses of “Engineering, construction and assembly work” segment include the impairment of goodwill at the amount of BGN 1,300 thousand (2010: BGN 0). The impairment loss is presented as “Other gains, net” in the segment information.

Assets and liabilities by segments:

	Segment Assets		Segment Liabilities	
	Year ended 31.12.2011	Year ended 31.12.2010	Year ended 31.12.2011	Year ended 31.12.2010
Engineering, construction and assembly work	198,208	185,892	113,414	100,537
Electricity trading	22,556	6,050	18,717	7,109
Other	26,636	58,198	12,354	29,962
Total	247,400	250,140	144,485	137,608

Geographical distribution

The Group operates in three basic geographical areas – Bulgaria, Germany and Slovakia. The Group has revenues as well from Austria, Slovenia, Serbia and other countries.

The Group’s revenue from external clients and information about non-current assets, excluding financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts, is presented as follows:

	Revenue from external clients		Property, plant and equipment	
	Year ended 31.12.2011	Year ended 31.12.2010	As of 31.12.2011	As of 31.12.2010
Bulgaria	143,239	123,674	50,014	79,097
Austria	-	16,515	-	-
Slovenia	-	13,396	-	-
Serbia	14,289	7,926	-	-
Slovakia	13,591	9,677	1,001	312
Germany	1,877	-	34	-
Other	3,259	3,651	-	-
Total	176,255	174,839	51,049	79,409

In 2010 the Group opened a branch in Slovakia.

In 2011 the Group started activity in Germany through place of activity there.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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36. Events after the reporting period

On January 9, 2012 the Annual general meeting of the owners of the warrants, issued by Enemona, was held, on which a decision was taken that they should not be exercised, since the current market price of the underlying asset (ordinary shares) on the regulated market is below the exercise price of the warrants.

On March 1, 2012, the Federal state enterprise "Federal Energy Service Company" of the Ministry of Energy of the Russian Federation and Enemona AD signed a Memorandum of Understanding. The Memorandum aims to promote cooperation and realization of joint projects in the fields of energy efficiency and energy savings in the Russian Federation, Bulgaria and third countries of Russian and Bulgarian business entities, by attracting funding for projects, as well. The parties will share experience in the area of energy efficiency and energy savings, including technical solutions, organizational approaches and regulations. The Memorandum of Understanding also envisages sharing of experience in the implementation of ESCO contracts (contracts with guaranteed results) and personnel trainings.

On March 2, 2012, Enemona's subsidiary "EESF" SPV signed a Loan Agreement with the European Bank for Reconstruction and Development amounting to EUR 10 million for securitization of receivables arising from ESCO contracts, with providing of a collateral by Enemona AD, resulting from commitments as guarantor. The term of the loan is seven years and the annual interest rate is fixed for the whole period of the loan to the amount of 6.5%.



*This document is a translation of the original in Bulgarian text,
in case of divergence the Bulgarian text shall prevail.*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Enemona AD

Report on the consolidated financial statements

1. We have audited the accompanying consolidated financial statements of Enemona AD (the "Parent company") and its subsidiaries and associates (together the "Group"), which comprise the consolidated statement of financial position as of December 31, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except as described in paragraphs 6 and 7 below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Делойт се отнася към едно или повече дружества - членове на Делойт Туш Томацу Лимитид, частно дружество с ограничена отговорност (private company limited by guarantee), регистрирано в Обединеното кралство, както и към мрежата от дружества - членове, всяко от които е юридически самостоятелно и независимо лице. За допълнителна информация относно правната структура на Делойт Туш Томацу Лимитид и дружествата - членове, моля посетете www.deloitte.com/bg/za_nas.

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5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

6. In 2009 the Parent company has entered into an agreement with a main counterparty as a result of which the Group has recorded revenue in 2011, 2010 and 2009 to the amount of BGN 1,383 thousand, BGN 317 thousand and BGN 23,020 thousand, respectively. The Group reports gross amount due from customers under construction contracts on this contract as of December 31, 2011 and 2010 to the amount of BGN 414 thousand and BGN 20,836 thousand, respectively. The validity of the recorded revenue and the recoverability of the receivables on this contract are dependent on the financial position of the client and the possibility for completion and realization of the project. Our audit opinion on the consolidated financial statements for the year ended December 31, 2010 was qualified in this respect. As disclosed in note 27.1 to the accompanying consolidated financial statements, in 2011 the Group has analyzed the total contract revenue and costs on this contract and recognized impairment loss on the contract to the amount of BGN 21,806 thousand. We were not able to satisfy ourselves, including by other audit procedures, as to the validity of the recognized revenue under construction contracts in 2011, 2010 and 2009 at the amount of BGN 1,383 thousand, BGN 317 thousand and BGN 23,020 thousand, respectively, and the recoverability of the gross amount due from customers under construction contracts as of December 31, 2010 at the amount of BGN 20,836 thousand and whether the impairment loss recognized on the contract in 2011 is fairly stated in the correct period.
7. As disclosed in note 27.2 to the accompanying consolidated financial statements, in 2011 the Parent company has acquired outside the regulated market shares of a company listed on the Bulgarian Stock Exchange – Sofia (BSE), which are reported in the consolidated statement of financial position as financial assets held for trading at the amount of BGN 53,700 thousand as of December 31, 2011. The cost of the shares is BGN 11,583 thousand. As of December 31, 2011, the Group recognizes the shares at fair value, determined based on market quotes from regulated market of these shares at the BSE. As a result of this, the Group reports profit from revaluation of financial instruments to the amount of BGN 42,117 thousand in the consolidated statement of comprehensive income for the year ended December 31, 2011. As the volume of shares of the issuer traded on the BSE is relatively insignificant in relation to the total volume of its outstanding shares, the market quotes used may not be representative for the purpose of determining fair value of these shares. As a result of this and due to the lack of other independent sources, we were unable to satisfy ourselves whether the carrying amount of the financial instrument fairly presents its fair value as of December 31, 2011 and respectively, the recognized profit from revaluation of financial assets held for trading, as well as the related effects.

Qualified opinion

8. In our opinion, except for the possible effects of the matters described in paragraphs 6 and 7 above, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

Report on other legal and regulatory requirements - Annual consolidated report on the activities of the Group according to article 33 of the Accountancy Act

9. Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4 we have read the accompanying Annual consolidated report on the activities of the Group. The Annual consolidated report on the activities of the Group, prepared by the management, is not a part of the consolidated financial statements. The historical financial information presented in the Annual consolidated report on the activities of the Group, prepared by the management is consistent, in all material respects, with the annual financial information disclosed in the consolidated financial statements of the Group as of December 31, 2011, prepared in accordance with IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual consolidated report on the activities of the Group dated April 27, 2012.

Deloitte Audit

Deloitte Audit OOD



Sylvia Peneva
Managing Director
Registered Auditor



Sofia
April 27, 2012